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Background to the Indochina Conflict

MALCOLM CALDWELL

Toward Socialism in America

HAROLD FREEMAN

Crisis in the West European Auto Industry

RICH KRONISH

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NOTES FROM THE EDITORS

Two news items from MR Press: (1) *Let Me Speak,* by Domitila Barrios de Chungara (with Moema Viezzer), will be out in a paperback edition ($5.95) in November. We mention this now because we have had many letters and phone calls asking if and when this dramatic story of the struggle of the Bolivian tin miners will be available to a wider audience than can afford the hard-cover edition. (2) MR readers who have ordered Daniel Berman's *Death on the Job* but have not yet received their copies should know that the reason is not that their orders have gone astray. The explanation is much more agreeable, at least from our point of view: potential sales were underestimated, and the Press ran out of copies. The book is now being reprinted, and we will be filling back orders soon.

We record with great sorrow the death at age 69 on July 24 of our old friend Maxwell Geismar, after a long illness. Max's career as a literary critic spanned nearly half a century and was punctuated by many a battle against the country's "liberal" cultural establishment which he regarded as riddled with smugness, hypocrisy, snobbishness, and opportunism. "There is nothing in the world," he once wrote, "worse than a liberal or formerly

(Continued on inside back cover)

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BACKGROUND TO THE CONFLICT IN INDOCHINA

By Malcolm Caldwell

There is a great deal to be said about the Vietnam-Cambodia conflict. It's something about which I've thought very deeply, because having been involved in the solidarity struggles with the Vietnamese people from the early 1960s, it has been very difficult for me, as well as for the countless others who have been in solidarity with the Vietnamese, to draw correct conclusions from the present situation and to attempt to come to grips with it, and to reconcile the problems that arise because of the new situation in Southeast Asia.

Five Conclusions

I'm going to start with my conclusions so that you can have a clear idea of how my thinking about this situation has developed, and then I shall go into the specifics of the situation. Of course, we can always come back to these conclusions and question them or agree with them. I think it is important to do this, because then you won't misunderstand some of the things I may have to say which are critical of the Vietnamese or of the other parties involved.

Broadly speaking, the principal conclusions to which I have come over the last few months of reading, thinking, and discussing endlessly with people—Vietnamese, Cambodian, Chi-

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This is the text of a talk given by Malcolm Caldwell in November 1978 to the Institute of Race Relations, before he left for Cambodia. He was murdered in Phnom Penh on December 23, 1978, at the conclusion of a fact-finding tour. This was originally published in *Race & Class*, XX, 4 (1979) and is reproduced here by permission.

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nese, and others (not Russian, I say: that's an omission which is probably significant)—are: first, those of us who have been involved in the solidarity struggles with the peoples of Indochina must recognize that the most important priority now is not to be disillusioned, and not to withdraw support for the existing ongoing liberation struggles in countries which are being transformed by these liberation struggles. We now have revolutionary regimes in power, which can in a certain sense look after themselves—they don't need apologists, they don't need voluntary ambassadors, they've got their own apparatus of propaganda, and their own wireless; they're installed in power, and, one assumes, irreversibly so. That is not the case with guerrilla movements that are still fighting—they're the ones that require our solidarity, they're the ones that require the informal apparatus of the solidarity movement. Of those in Southeast Asia, far and away the most important is the Thai Communist Party; because there in Thailand revolution has gained momentum very decisively over the last few years, both from the victory of the Indochinese peoples and because of their own internal (Thai) reaction. It would be a very important blow to the imperialists if the Thai struggles were to develop further, because the Thai movement threatens to puncture a real hole in the whole imperialist front line which has been built since the Indochina conflict came to an end in 1975. The liberation of Thailand would expose the whole main island part of Southeast Asia to the front of social revolution.

So it's very important that we don't let any concern with the specifics of the Vietnam-Cambodian disputes dislodge us from solidarity with the Thai struggle and, by extension, the struggles of the Burmese, Malaysian, Indonesian, and Philippine Communist parties. That is my first conclusion and that obviously affects how we view the conflict going on now.

The second conclusion, which I shall deal with in some detail later, is that despite the propaganda barrage from all the parties involved—including the Western press—the issues at stake between Cambodia/Kampuchea and Vietnam are sufficiently objective, real, material, and important to account for the willingness of both governments to go to war to assert their rights, without involving any other explanation. In other words, you don't have to involve the explanation that it is a proxy war

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between China and Russia. There are concrete interests, where the Vietnamese side and the Kampuchean side have diametrically and irreconcilably opposed interests, which unfortunately bid fair to create a difficult situation in this area for the time being. I shall go into this later because it seems to me to be the heart of the matter. Once you have accepted that, the involvement of the great powers—and particularly the powers which can offer patronage (China and Russia)—becomes explicable. And much though this outside involvement exacerbates the problem, the basic problem lies in differences between Kampuchea and Vietnam. If the Vietnamese government has its way, the Vietnamese people would be better off, and the Kampuchean people would be worse off. If the Kampuchean government has its way, the Kampuchean people would be better off and the people of Vietnam would be worse off. It's one of these situations—it's not one where reconciliation is easy.

The third conclusion, and a very important one, on which the Russians, the Chinese, and the Western media are all agreed, is that there is a struggle going on in Southeast Asia between Russia and China. Washington obviously welcomes this idea, because it absolves them from any kind of guilt. But the idea that it is primarily a conflict of power between Russia and China is, of course, nonsense. U.S. imperialism is still the principal enemy of the peoples of Southeast Asia and will remain so, broadly speaking, for the foreseeable future. The ASEAN (Association of Southeast Asian Nations) countries are part of an anti-Communist military alliance, whose bill is paid by the United States of America, whose arms are supplied by the United States of America, and whose objective is to confine social revolution inside Southeast Asia to the Indochinese countries. All these governments, of Thailand, Malaysia, Indonesia, Singapore, and the Philippines, are reactionary anti-Communist governments on the payroll of the United States. They are the clients of the United States of America. They control most of the real estate of Southeast Asia, they control by far and away the bulk of the real resources of Southeast Asia, where the Chinese and Russians may seek interests but have none. That is basically the heart of the matter.

The principal contradiction—to put it in Marxist terms—today in Southeast Asia is not between Russia and China, but

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between U.S. imperialism and the liberation struggles of Southeast Asia—as has been the case ever since the end of the Second World War, or shortly afterward.

The fourth conclusion is that although at the moment there is a helter-skelter race for alignment, with the Vietnamese side signing a military treaty with Russia, and now a very important Chinese delegation in Kampuchea seeking to sign some sort of military accord, presumably; although there is this race-with-time-game, it is my firm belief that the kind of socialist nonalignment that North Korea has pioneered and perfected will ultimately prevail in Southeast Asia. In other words, assuming that this problem is, if not resolved, at least neutralized and stabilized, I am absolutely certain that both Vietnam and Kampuchea will aim for the same kind of nonalignment that North Korea has done. And I say this having given it very careful thought. It is not because of any ideological perspicacity on my part, but because of objective circumstances in the world today where you have polycentrism, multiple centers of power. If a country is driven into the arms of one of the superpowers, it automatically seeks to counterbalance this by going and approaching one of the others. Vietnam is being driven into the arms of Russia and is thrashing around violently to get out and to make contact with the United States. The United States is, of course, playing difficult to get because it wants to punish Vietnam for the victory which Vietnam won in the war. And this kind of situation undoubtedly complicates matters. One must never forget that North Korea was actually occupied by the Russians after the Second World War, that the Russians interfered with the process of party building. The Russians tried to exert maximum big-brother influence. And yet the Koreans quite quickly won a position of independence where they found that by contacting Peking they could force the Russians to lay off for fear of losing any influence that they'd attained. And I'm perfectly certain that the final outcome of the situation in Southeast Asia will be that the countries involved—Laos, Vietnam, Kampuchea, and, later on, other countries which win their liberation—will achieve the same kind of maneuverability that Kim Il Sung, with all his faults, has succeeded in achieving for North Korea.

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My final conclusion, which arises from my own research, is that the Kampuchean experiment, which may appear to the Western media and to the Vietnamese and Russians as totally irrational, reactionary, and backward, is a very valid and valuable experiment. It would be a very great tragedy if it were crushed by Vietnamese invasion, which may take place later this month or in December, because they are posing alternatives to the orthodox development model which is supported, in different ways, by Western development experts, Soviet development experts, and by the Vietnamese. The Kampuchean experiment is radically different and offers a perspective which for neighboring Communist parties has struck a chord. It may also be added that the North Koreans are extremely supportive of the Kampuchean experiment to be self-reliant and to spurn international aid.

I would like to draw your attention to a recent pamphlet produced by the Kampuchean regime, which is called "Why Can Cambodia Feed Itself While Vietnam Has Become an International Beggar: Is It Because Cambodia Receives Aid from Every Country in the World?" The title is very good, you know; it's true—the Kampucheans have dispensed with aid from nearly every aid agency in the world and yet they are feeding themselves and are exporting rice to neighboring countries. The analysis may be wrong, but there are definite ideological points there. And it would be a great pity, in view of the fact that further revolutions inside Southeast Asia are imminent, if the Kampuchean experiment were to be extinguished by policy choices made elsewhere, in Hanoi and Moscow. And there is a fear that something like this may happen.

To understand why it may happen, we have to go back into history, and that is what I'd like to do in the second part of the talk.

First of all, the Khmer Empire during its period of maximum extent and glory in the eighth to twelfth centuries occupied a much bigger territory than it now does. In fact it has gradually shrunk back into a rather confined space [see map on page 6]. Originally it took in part of what is today Thailand, Laos, and certainly the whole of what is now the

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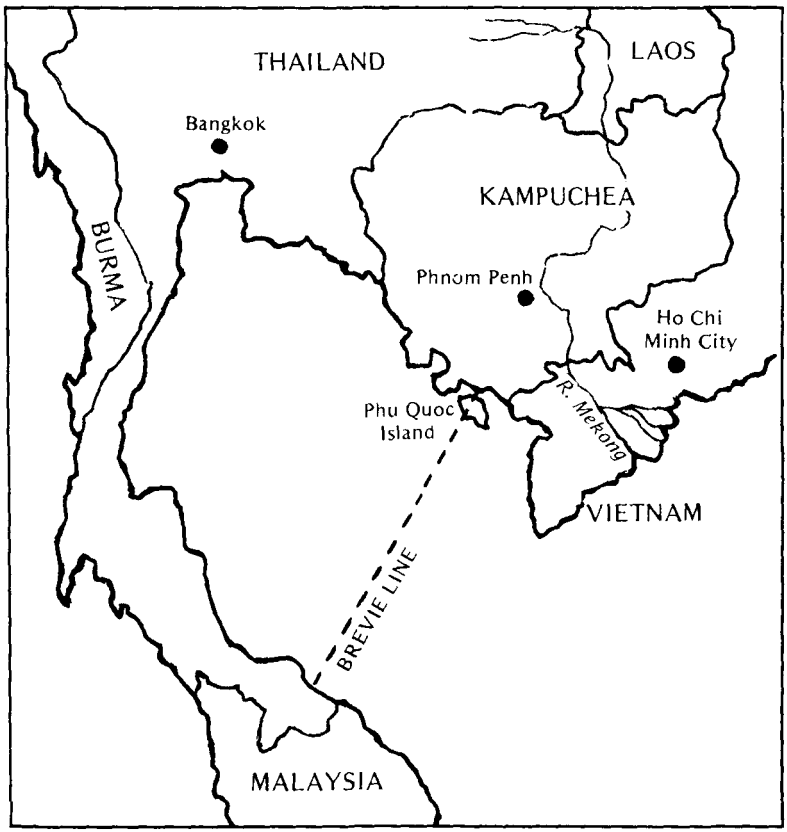
southern part of Vietnam; all the Mekong Delta was Khmer during the height of the Khmer Empire when they built the enormous complexes like Angkor, the famous temple near Siem Reap.

After the thirteenth century the Khmer Empire began to shrink, for reasons into which we won't delve at the moment. The main gainers were the Thais and the Vietnamese. The



Thais encroached from one side and the Vietnamese from the other. And so gradually Kampuchea—what became Kampuchea—became very much smaller than it had historically been. And this is the origin of the terrible nightmare that still haunts Cambodians of all descriptions, whether they are against the present regime, for the present regime, in exile, or at home—the nightmare that Kampuchea could disappear completely and be

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partitioned between Thailand and Vietnam, its two giant neighbors. This is a constant theme in Cambodian history.

The colonial period intensified this process because the French who took over the whole of Indochina—that is Kampuchea, Laos, and Vietnam—had very different administrative regimes in the different parts. What they called Cochin China, the very southern part of Vietnam, was a direct colony, whereas Kampuchea was supposed to be a protectorate, i.e., in theory only under indirect French rule. Now there were many advantages in having a direct colony—so many that the planning community prevailed upon the French colonial administration constantly to eat away into Cambodian territory. So throughout the French colonial period, Cambodia suffered further losses of territory. The French bureaucrats in Saigon constantly responded to planter interests and took parts of Cambodia into what was called Cochin China.

Secondly, the French colonial authorities encouraged massive Vietnamese immigration into Cambodia. The French professed to believe that the Vietnamese were vigorous, energetic, skillful, economically motivated, and the Kampucheans were "lazy natives"—in the way that the British regarded the Malays and most of the Chinese in Malaysia. The French used Vietnamese labor in the rubber plantations, they used Vietnamese administration, they used Vietnamese in a typically colonial way to add another layer of imperialism on the local people—which, of course, did not enhance race relations between the Vietnamese and the Cambodian peoples. Many Vietnamese came in and settled in the best rice areas in the eastern part of Cambodia. Certainly, French tax policy was aimed at subsidizing the budget of Laos and Vietnam from the Cambodian reserves. This is because the French had no intention of doing very much in Cambodia, which was used as a sort of holiday resort by French officials in Indochina; in the rubber plantations in the east very little was done in the way of economic development. But because it was very fertile country and there was a large agricultural surplus, the French used the tax revenue from Cambodia to underwrite the budgets in Vietnam, where they had to do more in the way of military expenditure, irrigation, building, and so on, and in Laos. The point is that Cambodia was used as a sort of milch-cow all through the colonial period

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to feed the budgets of the neighboring conflicts in Indochina.

Finally, something that is painfully near the surface of Cambodian memory is that the French, having seized Cambodia on the pretext of protecting it against its big neighbors and having failed to do so, in the early part of the Pacific war gave away a large part of Cambodia—the whole of Battambang Province and the other territories in the northwest—to the Thais. Of course, the Japanese were already the more influential authority, but the fact remains that in all these questions the Cambodian race memory is that in anything to do with negotiations of territory, Cambodia ends up losing. It's like a one-way process with a ratchet, there is only one way it operates—that Cambodia gets smaller. And this helps to define the attitude to the whole question of negotiation and territorial concessions.

During the Pacific war and after the Second World War there was armed struggle in Cambodia, a very complex armed struggle. The Vietnamese had taken the initiative of forming an Indochinese Communist Party in 1930, which eventually Laotians and Khmers joined, the object being that they should collaborate in winning independence from the French, something which all at the time were perfectly agreed upon. The period of armed struggle between 1942 and 1953 in Cambodia is extremely opaque, but it is clear that there were at least four sections involved. There was one which we can forget about for the moment, which was very right-wing but highly nationalistic, led by Son Ngoc Thanh, who was to become ultimately a puppet prime minister under the United States occupation in the 1970s. There was certainly one section which was closely allied to the Vietminh, the Vietnamese resistance. There was certainly one which was used by Sihanouk, because, if the French were being stubborn at some point, Sihanouk would reactivate his own guerrillas, and say, "Look what's going to happen if you don't negotiate with me; you'll be faced with armed struggle against you." And, finally, there appears to have been one which was completely indigenous, owed nothing to the Vietminh or to Sihanouk or to any other outside forces, and which was to become the progenitor of the Communist Party of Kampuchea.

In 1951 the Indochinese Communist Party was dissolved and each member of Indochina went its own way with respect

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to the armed struggle, although of course the Vietnamese were still the most influential unit. When Sihanouk succeeded in winning independence from the French in 1953-54, he called on the guerrilla to give up the armed struggle and to return to constitutional activity. At this point you get the split which is very important between the elements which have become the Communist Party of Kampuchea and the elements which came to be known as Khmer Hanoi. Sihanouk said to the left-wing guerrilla, "Come to Phnom Penh, give up the armed struggle, and form a constitutional party and face elections." A group did so—this group became known as the Pracheachon, the People's Party. Another group would not accept this invitation and went off to Hanoi where they stayed in exile until 1970; in other words, they were out of touch with the internal situation in Kampuchea, except indirectly, until 1970. This was the origin of the split—which is now a fundamental part of the struggle between Kampuchea and Vietnam. Because, since the war between Kampuchea and Vietnam broke out, elements of the old Khmer Hanoi which had gone into retreat in 1953-54 had been building up bases in the eastern part of Kampuchea and threatening to unseat the present regime. Now their loyalty is much stronger to Vietnam and the original Indochina federation concept than to the fundamentalist radicalism of the present leadership in Phnom Penh.

In 1954, when the Geneva Summit was held, for a variety of reasons the Russians, the Chinese, and the Vietnamese agreed, in effect, to make the Cambodians the fall guys for the whole thing. They were not prepared to press the Western powers to give a regrouping area in Cambodia to the guerrilla. You know, of course, that in 1954 Vietnam was not partitioned—it was temporarily divided for regrouping purposes. In Laos the guerrilla were given areas where they could regroup, but in Cambodia no such arrangements were made. The Cambodians felt betrayed, and they now blame the Vietnamese, although I think wrongly; I think that all parties involved in the socialist camp—if we can still use that term—were guilty of underestimating the extent and power of the guerrilla in Kampuchea. As a result, Prince Sihanouk was left in unchallenged power in Phnom Penh, with a constitutional party representing what had been

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the indigenous left-wing guerrilla. Now Sihanouk was, of course, as he remains, a patriotic neutralist. He was not a Communist and he was not in a position to push through progressive policies in Cambodia when he was in power. But he was able to ensure that Cambodia remained nonaligned and at peace, despite the fact that war was raging throughout Laos and Vietnam by the late 1950s, early 1960s. Looked at from the Vietnamese point of view, this was excellent, absolutely excellent, because since Vietnam had been partitioned, they had to get supplies down from the north to the south, and the eastern part of Cambodia was the obvious place to have bases and logistic groups, as long as Cambodia stayed out of the war. And this is in fact what they did. So more and more Vietnamese, in addition to those who had come in during the colonial period, were gradually, it appeared, settling in Cambodia. From the Vietnamese point of view, a peaceful nonaligned Cambodia was a very much better ally than a revolutionary Cambodia involved in the war. Because if Cambodia became involved in a war it would have meant the country would have been bombed. And when in fact in 1970 the United States overthrew Sihanouk and installed a puppet regime, the war did spread to Cambodia, and although the whole thing boomeranged on the United States it also forced the Vietnamese to change their disposition of forces, because the United States went into the eastern part of Cambodia. So the Vietnamese had to support Sihanouk even though his government was pursuing reactionary and repressive policies, since as early as 1963 the armed struggle in Cambodia had been resumed. Leading cadres of the Pracheachon Party despaired of any possibility of constitutional activity and disappeared into the guerrilla. And from then on, more and more left-wing people from Phnom Penh disappeared into the guerrilla. By 1968, after the peasant uprising in Battambang in 1967, the revolutionary war was afoot in Cambodia. But the Vietnamese and their allies were still pressing for some kind of accommodation; they didn't want war in Cambodia for the reasons I've tried to explain.

Now Sihanouk, like the rulers who have since taken power after 1975, was very concerned about the fact that the Vietnamese were apparently consolidating their occupation in the

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eastern part of Cambodia, and that the whole border would become blurred. After all, there were countless Vietnamese civilians who went over to Cambodia to avoid American search-and-destroy operations in the 1960s—apart from the Vietnamese troops which used the area. Later, when the Americans had provoked a coup in Cambodia, there were many Cambodians who went across the border into Vietnam. There was a big danger that with these massive movements of populations, the whole border would become confused and lead to the future attenuation of Cambodian territorial integrity. For that reason very big pressures were put upon the Vietnamese to come to some sort of orderly agreement with the Cambodians, and this they did eventually in 1967. In 1967 the then DRV (the Democratic Republic of Vietnam) and the National Liberation Front of South Vietnam signed agreements with the Sihanouk government in which they pledged to accept the borders that were in existence at the time of the end of French colonialism. The texts of the agreements have been published, and make very interesting reading. They are not entirely unambiguous, but it's clear that all the signatories agreed that they should be binding upon subsequent governments. Quite obviously, Sihanouk was not a fool; he realized the Vietnamese would beat the United States and then form one country. And the Vietnamese similarly accepted that sooner or later there'd be revolution in Cambodia. So the agreements were thought to be binding upon successive regimes.

When the American coup took place in 1970 and a puppet regime was installed, Sihanouk had to make his mind up very quickly. He did so. On the plane between Moscow and Peking, actually, he agreed to write a statement calling on the people for forgiveness for his wrong tactics and strategy, and calling on the people to rise up in armed struggle, and offering himself as a titular leader for the guerrilla against the American-backed generals. Now here you get further ramifications. The guerrilla inside Cambodia had been fighting against the Sihanouk regime for several years, and regarded the new development with some caution. However, there were some advantages in having the legitimate head of state, who had been deposed by an illegal American coup, on their side. He still had support from sections

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of the population. As for the Russians, they wanted reconciliation with Lon Nol, the American puppet, for this reason: that if they could have succeeded in doing that, they could perhaps still have kept Cambodia out of the war to help the Vietnamese in their final assault on the south. They were unable to do this, and the Vietnamese reluctantly went along with the new developments. There was an Indochinese summit conference in China in 1970 which coordinated strategy. Very uncomfortable! However, one thing the Vietnamese did do was immediately return to Cambodia all the Khmer Hanoi who had been up there since 1953-54 in exile, with the objective, of course, of coordinating the struggle throughout Indochina, because they knew very little about the indigenous Cambodian struggle which was quite independent of any of the old Indochina links, and had its own idea about things—as was quickly to become apparent.

The next great *casus belli* between the Cambodians and the Vietnamese was 1973 when, as you will recall, the Vietnamese signed the Paris Accords with the United States. According to the Cambodians this enabled the Americans to release their entire strategic airforce to bomb the hell out of Cambodia. And between March and August 1973, when the Vietnamese and the Americans had signed their agreements, the United States devoted their entire military effort against Cambodia, and this was the point where the Cambodian people were decimated and lost many of their leading cadres. The bombing was saturation bombing of a kind which has hardly ever been seen in history, using not only block-busters of the conventional type, but also percussion bombs, napalm, and chemical defoliants. Large areas of Cambodia were devastated. The Cambodian comrades blamed the Vietnamese for not taking their (Cambodian) interests into account when they (the Vietnamese) came to the agreement. Now I'm not going to try to untangle the rights and wrongs of the matter, it's something that is bitterly felt in Cambodia, not only among those who support the present regime, but, incidentally, also among the exiles, because many of them were caught up in it as well, saturated with chemicals, napalm, etc. At the same time Sihanouk and the Americans and Chinese were maneuvering to try to get a negotiated settlement of the

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same kind as the Vietnamese had got with the United States. This was also regarded by the guerrilla, who had borne the heat of the struggle inside Kampuchea, as a form of treachery, and perhaps helps to account for the fact that Sihanouk didn't go back to Cambodia until some months after liberation.

You have to get the feeling that the Cambodian guerrilla has constantly felt isolated from everyone—the Russians, Chinese, Sihanouk. They fought their battles starting from nothing, just with support from the rural people—no contacts with the international movements, no support from any great power, socialist or nonsocialist. They were themselves constantly subjected to treachery on the part, as they see it, of outside forces. Very xenophobic, and yet determined to win. The other crucial point is that at the same time in the liberated areas of Cambodia they were feeding themselves, feeding their army, storing rice for the liberation of Phnom Penh and exporting rice to the National Liberation Front of South Vietnam—to enable them to carry out their final offensive—and exporting rice to Laos. They were proving the viability of their particular kind of rural program. Here we come to something which helps to illustrate the desperate intensity of the policy.

The Vietnamese in their final offensive were still using parts of Cambodia driving down on what was then Saigon (Ho Chi Minh City). Their original intention was that the liberation forces would immediately strike west and liberate Phnom Penh. Of course, from the point of view of the Western media, this could be variously interpreted. Undoubtedly the Vietnamese would say that they were helping their Cambodian brothers to quicken the process of liberation. They would then install a Cambodian regime which was responsive to their particular view of the Indochina federation. The Khmer Rouge learnt about these plans and in a meeting in February 1975 decided that, whatever happened, they must get to Phnom Penh first. They raised only a small assault force, and they had tremendous losses during the American bombardment in 1973; but they decided that they must take Phnom Penh by mid-April. They succeeded.

Then you are faced with this terrible problem. Their own assault force of seasoned fighters was very small. Inside Phnom

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Penh there were tens of thousands of well-armed Lon Nol troops. The Americans had left behind sabotage groups. The Vietnamese were already moving troops to their border with Cambodia. The new regime decided to evacuate Phnom Penh. It was not a hasty decision, it was something that was logical from their point of view: disperse the Lon Nol troops, disperse the population into liberated areas where there was plenty of rice, and then get them working on the harvest (the main planting for the main crop had to be done in April-May). The two armies (the Vietnamese and the Khmer Rouge) rushed to the border and started fighting immediately, and the fight continued more or less from then on at the border. Of course, there were negotiations, but the two parties had such different views about what these entailed that they eventually broke down. Now, Hanoi has said that there will be no further negotiations, and that is the present situation. They were simply ratifying what the Khmer Rouge had always said: the Khmer Rouge, like Sihanouk before them, like any Cambodian in the world, has said: "Look, we've lost immense territory through French colonial occupation; we're not claiming an inch of it. But we are saying that we aren't going to cede another inch. We take the last border which the French left us as being the final border of Cambodia, and there is no question of negotiation, because negotiation always results in our losing territory." The Vietnamese have argued that the situation now is very different, saying in effect: "We've won our own liberation, we can discuss some of our anomalies. We can try and draw the border, because it's not very clear—American and French maps disagree—lots of the flash points along the border are very, very difficult." So the position has reached complete stalemate.

Then there is the question of the Brevié line which comes out to take in Phu Quoc island. The Brevié line is the line which at sea might be interpreted as defining the territorial waters. Unfortunately, the language of the French governor-general who drew it on the map is ambiguous, though he did make clear it wasn't meant to be a territorial division; it was meant for administrative purposes. It is now very, very important—much more important than it was then, because that's where the offshore oil is. The Brevié line is one of the subjects of extreme contention between the Kampucheans and the Vietnamese. Now

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I see no immediate future for the negotiations because the diametrically opposed positions of the parties are not what negotiations should consist of. It's obvious that both sides, from their own points of view, have strong cases. On the other hand, it is very easy to see the reluctance of the Cambodians to give any grounds which might be seen as weakness and put them under the same kind of pressure as the Laotians have been under (not territorially, but just in their relations with the Vietnamese).

Some Issues of Substance

The third group of points that I want to raise includes what I regard as some of the substantive issues, which are very important. You might think it enough that the two parties hate each other. The two parties have been fighting all these years, going back to the Geneva agreements. They've guarded a very long dislike for each other and a record of treachery. The Kampucheans are very aware that the Vietnamese would like to replace the government of Phnom Penh. The Vietnamese have said it over and over again, they're very clear. The government of Phnom Penh is therefore very suspicious. On the other hand, the Vietnamese, as we shall see, have their own grounds for exasperation. All are concrete issues: on each side there are border anomalies, and mutual accusations of atrocities—and these can't be disputed; people have seen the evidence for these atrocities along the border. Among these substantive issues, I would suggest that there are two which are important. First, oil, and secondly, water.

During the U.S. occupation of South Vietnam the Americans introduced modern high-yield varieties of rice from the International Rice Research Institute in the Philippines. These American-style high-yielding strains of rice are highly dependent upon advanced technology, they need to have saturating doses of petrochemicals all the time, not just for fertilizer, but for pesticides, fungicides and so on; otherwise they very quickly succumb to disease, which is precisely what happened after liberation. Large areas of the south which are using seeds which derive from the International Rice Research Institute have proved to be extremely prone to disease. The Vietnamese do not now have the massive supplies of petrochemicals, fertilizers, and

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pesticides that were available in the South during the American period. And they've had a tremendous plague of blackwater in South Vietnam this year. They've also got rice blast up in the North which doesn't make things any easier (this is another contagion which requires saturation with petrol-based insecticides and fungicides). The Vietnamese economy is also partly industrialized both in the North and in the South. The South has an infrastructure left behind by the Americans and by the Western powers. In other words, for both agriculture and general purposes Vietnam desperately needs oil. And ever since liberation they have been urging the multinationals to come back in and start work offshore, in what everybody knows is one of the most promising areas in the world.

Now, Cambodia doesn't need oil. It has hardly any industrial infrastructure at all. They are concentrating on handicrafts and on what Marx called "manufacture," i.e., activity which doesn't require machine-type industrialization. They don't need it for agriculture either, because Kampuchean agricultural policy is based upon intensification of traditional methods, labor-intensive agriculture. So they're in no hurry. The big oil companies are now beginning to sign contracts to explore areas which are not disputed. No multinational is going to spend thousands of millions of dollars around this area as long as the sea border is not agreed. The Cambodians are in no hurry to help the multinationals get in there. The Vietnamese are. And from the point of view of the economic development of Vietnam, and the welfare of the people of Vietnam, the authorities in Hanoi are quite right—the sooner they can get the multinationals in constructing huge petrochemical complexes, and getting out oil, the sooner they can get their agriculture on a sound footing. The Kampucheans have no such compulsion. The same would also apply, of course, to the general extension of the industrial network which already exists in the North and the South. The Vietnamese have made up their minds that the political consciousness of their people is so high that they don't need to worry about the adverse impact of foreign investments and foreign presence that neocolonial countries have to fear—or at least the liberation struggles in the neocolonial countries have to fear. So the oil question is one major substantive issue.

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The second one is the Mekong scheme. The Mekong is the mightiest river in Southeast Asia and has been the subject of extensive studies by the countries mentioned and the neo-colonial regimes in the area since the 1950s. If you harness the Mekong all kinds of prospects open up to you. It comes down through Kampuchea and eventually out into the Mekong Delta. If you construct hydro-electric works somewhere in this reach, you get hydro-electric power for the industry of the southern part of Vietnam. You also control the flood waters, which have been devastating in South Vietnam this year (they've lost a lot of the rice crop because of flooding). Hydro-electric power can also go into the vast industrial complexes growing up under neo-colonial auspices there. It seems logical. And if in fact the peoples of this area were one people, it would be a sensible scheme. But, unfortunately, behind the dam that has been projected, large parts of Cambodia would be flooded, and hundreds of thousands of Cambodian peasants would lose their land, and much good rice land would disappear. The benefits would go mainly to the industrial belt around Bangkok and to the agricultural regions of the central plain and to the agricultural regions of the Mekong Delta in Vietnam. Unfortunately, for Cambodia it is nothing. If they look at it from a national point of view there is nothing in it but danger: the danger of losing much rice land, but also a much more subtle danger. Because if you have vast hydro-electric works installed in Cambodian territory you're not going to leave it entirely under Kampuchean control, for obvious reasons. Just imagine: supposing you went ahead and this vast area is inundated with controlled flood water to get the hydro-electric power; if there is a quarrel between Cambodia and Vietnam they just open up the tap—they can wash away the Mekong. Once that water is accumulated behind the dam, it can't be left in Cambodian control—it's got to be jointly administered by the Thais and the Vietnamese as well. No way in which it could be otherwise; they've got to assent. Now, remember what I said, this brings to life the historical nightmare of the Cambodian people: and if there are Thai and Vietnamese engineers on their territory administering these installations of the Mekong River Project, then they have in effect been partitioned. There'd no longer be any auton-

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omous control. And therefore the fear of the Cambodian people is a very real one.

Now I would like to say something, too, about China's foreign policy. Sooner or later the USSR and the United States will dispute in this area to which they don't belong. No doubt about that. But China will always be in the area, it is geographically part of the area. And sooner or later the old historical links, not of dominance, but of mutual respect between China and the neighboring countries are bound to be re-established, and I think that no intelligent politician, either from Vietnam or from any other part of Southeast Asia, would dissent from this. It's a question of the terms upon which this historical compromise has got to be reformulated. There's no doubt that in the long term the cards are in China's hands. The United States is laughing; it's got no influence in Indochina today, it's never had historically, and is behaving with extreme viciousness. The Americans are reveling in the problems that have arisen. They're toying with the idea of continuing to play the China card to the point of supporting the Cambodians in their struggle against Vietnam. Supporting, that is, by withdrawing some of the subversive activities which go on from Thailand. They still send groups across the border to make trouble in Cambodia.

Now some bourgeois commentators in the press say that "surely Washington must understand that if they press too hard on Vietnam, Vietnam will be pushed into the arms of Moscow?" Precisely. That is precisely what appears to me to be the objective of American policy—to force the Vietnamese into a situation which they definitely do not want, because they understand what it entails. You know, the Vietnamese have lost a lot of ground since the end of 1977/beginning of 1978. They've lost ground because of their apparent alliance with the Soviet Union. A lot of the nonaligned countries have criticized them and have pointed out that if you have a military alliance with the Soviet Union you can't belong to the nonaligned bloc. Vietnam has been heavily criticized for its bullying behavior (as it's been interpreted) toward a smaller country, Kampuchea. The Vietnamese have lost ground. I feel that in large part this is because American policy has been so devised as to

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leave them with no option—in other words to restrict their openings elsewhere and then sit back and enjoy the sado-masochistic pleasure of seeing the Vietnamese discomfited in the way they have been. They've become isolated, no question about that, and left with their patrons and allies—and that's the last thing they want.

As far as the "free" nations of Southeast Asia, the ASEAN countries, are concerned, they're also reveling in the situation. They've had the Russians and Chinese courting them for years—but now they have the Cambodians and the Vietnamese prowling around their capitals, all of them saying, "We're not going to support the guerrilla movements." Pham Van Dong went to Malaya and laid a wreath at the tomb of the unknown soldier. Now, who was this "unknown soldier"? He was a mercenary counter-insurgent brought in by the British to crush the resistance of the Malay people to the occupation after the war. But even Ieng Sary, the Cambodian Foreign Minister, said in Manila, "Oh, we too are going to stop supporting the guerrilla movement." There's a Dutch auction—who's going to be the least revolutionary power in the area—and not very healthy for the existing liberation struggles.

Finally, however, I can't help feeling that there is something very significant in the response of the nonaligned countries to this conflict. It is not a question that they actually agree with the tactics or means by which the Kampuchean revolution has effected its ends. But they do see that the agreement between Vietnam and Russia (whatever the cause is, and I suggest it is partly due to Washington's maneuvering) is damaging to the whole project of the nonaligned nations. I don't think there's any doubt about that. For example, the attitude of North Korea to the conflict has been absolutely clear and unambiguous: they support Cambodia and they condemn Vietnam for acting as the tool of Russian designs in the area. Now, the emphasis may be wrong, but it's an insight which is shown by other leading countries, like Yugoslavia and Rumania, which have fought hard to win their own nonalignment from underneath the thumbs of other socialist big brothers. These are countries with credentials; you can't dismiss North Korea, Yugoslavia, Rumania, and the others. No way. And it's not hostility

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to Vietnam. It's that the only way to underline the principles is to support Cambodia, and this is what they are doing. And I find that a subject for reflection, especially since, as I'm a Southeast Asian specialist, I know that up to the present the Communist parties in the region have sided with Cambodia against Vietnam. This reflects a rather serious choice. This is not a dilettante thing of reading the papers and saying "Ah yes, this, that, and the other," etc. The Cambodian Party is supported by the Malaysian Party, the Burmese Party, the Indonesian Party, and by the Philippine Party. The Thai Party supported the Cambodian Party until very recently. Now, however, the Laos Party has made its declaration of support for the Vietnamese—of course, because of the special relationship—but also attacking China. Now you see the Thai Communist Party's base is in northeast Thailand, and they have extensive need of the Laos border and the Mekong River, which forms a large part of the border. So sections of the Thai Communist Party along the border have to be friendly to Laos. By the same token, other sections of the Thai Communist Party have to be friendly with Kampuchea. It does appear that there is now a split in the Party.

This has disastrous consequences, which should sober up all these people who one way or another exacerbate the problem willingly or unwillingly, by exaggerating the differences, by taking sides. That's not what's required for the present moment. God knows the problem is difficult enough, and I think there is a very real danger that the Vietnamese will be tempted to finish the job once and for all and install some Cambodian puppets in power in Phnom Penh. They would have to ride out public opinion for a few days. But public opinion knows very little about the problem and is certainly not concerned about the Cambodian experiment in rural revolution; people would quickly forget and then you might get a more "rational" approach for the whole region, with the Mekong project, foreign oil companies coming in, and Western investors being invited in.

In my view, it would be a very real tragedy and one which would not be easily repaired.

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TOWARD SOCIALISM IN AMERICA

BY HAROLD FREEMAN

What follows are extracts from a book of the same title which has just been published by the Schenkman Publishing Company, 3 Mt. Auburn Place, Cambridge, Mass. 02138. Because of MR's space limitations, most of the section on "Socialist Principles" is taken from an earlier draft of the book which has been considerably expanded in the final version. Harold Freeman is a professor in the Department of Economics at Massachusetts Institute of Technology.—THE EDITORS

A Summary Indictment of Capitalism

Simple and attractive as basic socialist principles may turn out to be, it will probably not be they but rather the profound senselessness of capitalism that will continue to strip it of support. It is no longer easy even for some conservative Americans to see merit in a system which insists (1) that we should sell arms to likely antagonists, and in the name of peace; (2) that to hold unemployment down we must produce material which has no use other than to kill people, a policy which is said to have the additional merit of being the surest way to avoid killing people; (3) that it is sensible to spend $25 billion to put two men on the moon while 40 million Americans need help we cannot then afford to give them; (4) that it is reasonable for people to go hungry in the midst of stores filled with food (one of every three shoplifters in America is now stealing food), to be badly clothed in the midst of warehouses filled with clothing, to go without medical help in the midst of great medical centers

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("Some of you people may have to die"—Mayor Kevin White of Boston) because they cannot "afford" these things; (5) that whenever there is a shortage—of anything—it should always be the poor, who may have the greatest need, who will suffer the most; (6) that an economic system should always strike hardest at those who are least able to fight back—those down with sickness, accident, unemployment, old age; (7) that it makes sense for a person to be ordered to remain idle with consequent suffering of all close to him or her when he or she is trained and able and eager to produce needed goods and services; (8) that the way out of industrial depressions, 27 of them in 122 years, is to fire workers, then counter consequent high unemployment by inaugurating programs to get them back to work; (9) that it is sensible for millions not to get needed housing while 30 percent of the housing work-force looks for work; (10) that it is entirely within the rules to withhold from the market meat, medical services, oil, natural and manufactured gas—needed, not merely for comfort but for survival—until the price is right, at which price lower-income families may not be able to buy at all; (11) that it is proper for millions to live in continuous insecurity, from birth through education, employment and, hardest of all, through old age; (12) that it is without serious consequence to tell hundreds of thousands of first-job-seeking young people, including young blacks already with four times the unemployment rate of young whites, that society has no jobs for them; (13) that it is reasonable for a small number of owners and managers to make fortunes while 8 million workers cannot find money to feed their families; (14) and that it makes sense for *anyone* to make a profit (in some large firms the total is approximately equal to wages paid out) in return for services described in capitalist literature as irksome risk-bearing, the exercise of rare, peculiar, or unique personal qualities, willingness to select risks, rent, inducement to seek improvement, correction of competitive friction, abstinence and, worthy of Hegel himself, the dynamics of society. The days when people can be persuaded to accept nonsense of this order of magnitude are by no means over but they may be slowly ending, and we may someday look back on these days with disbelief.

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It is difficult to tolerate a man-made system whose behavior the men who made and direct it cannot predict, whose behavior a year ahead with respect to such important measures as employment, output, prices, and even stability has become a matter of conjecture, with as many "experts" predicting rise as fall, growth as decline, with government speaking for months and even years of "bottoming out," while academics suggest that "we tighten our belts" and business analysts report, with exemplary confidence, that "the economy may go either way." To end faith one need only examine the unpredicted, and therefore disastrous, 26 business cycles of 50 months average duration, from 1854 to 1972, as studied by the National Bureau of Economic Research or, simpler, examine expert predictions for 1974 against the facts of 1974. Of 32 of the foremost forecasters, 31 predicted prosperity for 1974—a year of the deepest depression since the 1930s. A recent study by Stephen McNees of the Federal Reserve Bank of Boston reached the conclusion that during the 1970s errors in economic forecasting by the country's most respected forecasters were "unprecedented in magnitude . . . these forecasts provided a very poor indication of where the economy was headed." The sophisticated consulting firm, Data Resources, now offers *five* forecasts with associated probabilities; they are described as "control, more optimistic, more pessimistic, even more pessimistic, worst of all." In *The Wall Street Journal* J. Roger Wallace wrote: "The hard cold truth of the matter is that at this particular point no one can make a business forecast for the next few months, let alone for a full year, without including so many escape hatches as to render the prediction meaningless."

Perhaps a new limit of desperation both in logic and in conjecture may have been reached by the Ford White House when it suggested that a recession more severe than expected is healthy—it may mean a stronger recovery.

It is a grim experience to put up with a system which, to survive, must periodically destroy the lives of a substantial number of the people in it. The day may come when the American people begin seriously to wonder why there *ever* need be bad times, why factories which are open this month must close the next; why food, goods, and medicine which are within income

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one year must be beyond it another; why thousands who work today must be idle tomorrow. If masses of people begin to reflect on these events, events which are conventional features of our economy, which provide fortunes for a few and misfortunes for many, and for which grown men and women can give no sensible justification, it may be the moment of dangerous truth for American capitalism.

Socialist Principles

We will state the assumptions and the principles of socialism, as some of us see them. But it will be a brief statement; no detailed blueprint of life in socialist America can be written. To announce in advance the programs which a democratic American worker society will choose to follow is intellectual posturing: Who can really say? Moreover, formal programs in advance of the fact carry with them an air of rigidity, an air that is alien to the flexibility implied in democratic socialism. Like capitalists, socialists will have to make decisions on policy questions as they go along.

This inability to produce a blueprint will surprise and disappoint many Americans. Whether for, against, or uncertain on socialism, they would like to know in some detail what they may be in for. Considering the unlimited radical literature on what is wrong with capitalism, the unending debate in radical circles on how to get from capitalism to socialism, and the volumes of interpretation of every paragraph written by Marx, Engels, Lenin, Trotsky, and Mao, Americans find the paucity of information on the practical behavior of a (presumably attractive) socialist state curious and even suspect. They have seized upon this paucity to draw their own picture of coming American socialism, and their picture is both unflattering and weird. It usually consists of the worst elements—and only the worst elements—of the past sixty years of Soviet Russian history, with repression of minorities, invasion of neighboring countries, and cold, centralized bureaucracy prominent among them. In such a montage—and there can be no way of proving that America will be *certain* to escape such pitfalls—any attractive features that a socialist society may have will not be found.

This dark description is carefully cultivated by American

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capitalists. And by others who, using it, are able to write off socialism without the need to read a single line of Marx or even the need to think about the subject for a single moment. Even those Americans who are hardly enchanted by capitalism will turn away if socialism comes across to them as little more than the Stalin horror years of the late 1930s. It is not our purpose to draw a veil over Soviet Russia's mistakes and even less to justify them, but we suggest that if and when socialism comes to the United States these mistakes need not be repeated, any more than they have been repeated in China.

Socialism begins with certain assumptions. First, that we are fraternal people. That we want to share love, share well-being, share power, that we want human dignity to prevail. That we have or can have fraternal goals. To these are added the beliefs that the desire to own anything privately is not "human nature," but rather, human nature historically conditioned by early capitalism, that the desire to own everything privately is a peculiar by-product of advanced capitalism.

Socialist institutions therefore aim at humanity, fraternity, and equality—goals strikingly different from those of capitalism. Socialism imagines that people are willing, perhaps even eager, to participate in the planning and activity which will permit us to approach these goals—rather than wait for them to eventuate, via an invisible hand, as an accidental by-product of a system which hardly acknowledges their existence. Socialist society will probably classify people by performance, as does capitalism, but what is meant by performance will be different; it will be performance toward fraternal goals.

Socialists generally acknowledge that nineteenth-century capitalism stimulated rapid scientific and technological development, and that some part of American well-being can be traced to that early development; the *Communist Manifesto* of Marx and Engels is almost lavish in its praise of the capitalist past. But that historical gain is dwarfed by contemporary loss. The socialist structure proposed to replace capitalism has numerous variants but its basic principles are few.

Production shall be publicly owned, and each person shall have the guaranteed right to participate in its activity and its proceeds, from birth through education, employment, retire-

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ment, to death. Marx viewed public ownership and the continuous right to participate in production as the means of ending alienation from the work we do, from the products we make, from the environment in which we live, from each other, and from ourselves. Making a living must also be living. Elements critical to the quality of life such as a sense of belonging, creativity, a capacity for reflection, the expression of talent, the satisfaction of needs, understanding, planning and deciding, and self-esteem must be built into the work we do. This is a critical principle of socialism, and it is the precise opposite of the principle of advanced capitalism which separates ownership and labor, strives for impersonality and anonymity in production, substitutes consumption for personal development, and in no way guarantees participation.

A second principle of socialism is generalized equality. Equality between sexes, among racial groups, equality in opportunity, equality in wealth and income. It is a generalized democratic principle contrasting with the narrow democracy of capitalism which merely permits people to choose among close variants of inequality. This socialist ideal may never be fully realized; it describes the ultimate communist, as against the practical socialist, state. It may always conflict with the need to motivate or the wish to reward exceptional effort in a socialist society; Marx regarded it as likely to be achieved late in socialist enterprise and Lenin expected it—and the Soviet Union and China have found it—to be difficult to attain.

Capitalist society has an automatic mechanism for ordering the problems it deals with—whatever is most profitable comes first. As a consequence, many social problems which show little or no promise for private profit are low on the list or cannot be found on the list at all. In a socialist society they will be reinstated. It is a third socialist principle that issues receive attention in proportion to collective estimates of their social importance and possibly in proportion to the number of people seriously affected, and not as now by estimates of their prospect for private profit. Instead of a profit-oriented decision between the production of cars with 200 or 150 horsepower (when 60 will do), an American socialist society may have to decide if it should study arthritis intensively or build more day-care cen-

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ters. Instead of a comparison of the profit margins of an underarm deodorant and the training of mercenaries for the Near East, socialists may have to make a choice among a clean river, leisure, and growing additional wheat. Repairing the leaking roofs of one thousand houses in the Southeast may be considered more valuable than winning the Indianapolis 500, a judgment which could only bring amusement in the current marketplace.

Albert Einstein wrote, quietly:

> I am convinced there is only *one* way to eliminate these grave evils, namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals. In such an economy, the means of production are owned by society itself and are utilized in a planned fashion. A planned economy, which adjusts production to the needs of the community, would distribute the work to be done among all those able to work and would guarantee a livelihood to every man, woman, and child. The education of the individual, in addition to promoting his own innate abilities, would attempt to develop in him a sense of responsibility for his fellow men in place of the glorification of power and success in our present society.

If Socialism Comes to America

Modern socialists with good sense do not lock themselves into positions. It is important to stand firm on a few basic principles, to speak out for them, then to consider and often accept amendments which do not distort or destroy the principles. Socialism is not a museum piece, perfect and delicate, in need of protection. It is not an infantile dream of problem-free perfection. It is a viable political alternative with strength and weakness, an ideology to be exposed to criticism and amendment. It begins with the moral strength implicit in public ownership, generalized equality, and social concern, but it can offer no theoretical guarantee that this strength will be retained under the pressures of human frailty and the power play of the real world: Soviet Russian experience is testimony to that.

If socialism comes to power in America, it will face problems which neither its principles nor anything in Marx or Engels will solve. Marx and his successors were largely concerned with an analysis of capitalism; they have said little to help us admin-

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ister an American socialist state or even to anticipate its problems. We cannot be sure to what extent socialism in America will restore broad social consciousness buried under decades of capitalist individualism. We cannot estimate if team spirit can be an adequate motivator (can accomplishment be its own reward?) or to what degree distribution of income, prestige, or power will have to be adjusted to contribution in order to insure high performance. Another serious problem which can only be solved slowly is the accountability to the whole people of bureaucracy made necessary by the sheer size of the population. All we can expect is that the few principles of socialism and the social consciousness which they may generate, along with fair solutions to inevitable broad and difficult problems, should rid us of many sources of deprivation and alienation, and replace them by positive sources of moral and economic strength, with expansion of genuine freedom and reduction of inequality. The result will hardly be nirvana. Socialism has neither ambition nor ability to produce a society without problems or conflict. It can only aim to work toward one in which problems and conflicts are socially meaningful and their solutions promising to all members of the society.

Socialism can make few promises. Social structures in action are never quite what they are on paper, and each of them, including socialism, must be judged by the quality of its ethic, by its public record wherever it has one, and by our estimate of its promise for the future. On balance and only on balance, a good part of the modern world, including almost every developing nation in it, now regards socialism as the better prospect, both for democracy and social progress.

It is correct to say that the goal of socialism is humanity. In Marx, socialism is not fulfillment; it is only the basis, the condition for fulfillment. It is the springboard to the goals of self-development and self-realization. To achieve these goals, we argue that people must abandon a system which has neither love for them nor even any serious interest in them as people, a system which uses them simply as agents in a drive for private profit. It is a system which cannot be truthful for there is profit in deceit, it cannot be equitable for there is profit in discrimination. Of the capitalist system one man wrote, "It is not in-

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telligent, it is not beautiful, it is not just, it is not virtuous—and it doesn't deliver the goods." It was neither Marx nor Lenin nor Trotsky nor Mao who wrote those lines, it was Keynes.

There can be no claim that socialism will be free of losses. Socialist society must face the problem of personal liberty versus the control needed for planning; any solution must bring losses. Socialist society will likely prefer stability to the more rapid growth and decline based on variation in profit expectation; average growth may be slower. Socialist society in America may decide to face terrible national and international problems comfortably outside capitalist culture—simple examples: (1) every eight seconds someone in the world dies of hunger; (2) half of the world's school-age population are not in school; (3) 41 percent of the world's adults are illiterate; (4) 100,000 children go blind each year from vitamin A deficiency (the cost of protecting one *million* children, ages 1 to 5, would be $5 million).

The box of unresolved American moral, social, and economic problems is heavy; they have accumulated for a century or longer. Socialism will want to open this box, and we will be frightened by what we find; we have little experience and less theory for solutions. But the sooner the box is opened the better; time only increases the variety of its content. There will also be problems which are intensified but were not initiated by capitalism; there has been and there may continue to be war. But unlike our current approaches which are piecemeal (therefore often contradictory), narrow (therefore solutions to lesser problems than we really face), and charitable (therefore always at our option to withdraw), the great social and economic problems will finally be faced *within* the system, evenly and by all the American people in their general and difficult search for a good life. Socialism will likely succeed on some and fail on others; the record cannot be written in advance.

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CRISIS IN THE WEST EUROPEAN AUTOMOBILE INDUSTRY

BY RICH KRONISH

The automobile industry in the developed capitalist countries has entered a period of long-term stagnation. As Table 1 shows, the key markets of the developed capitalist world are only now returning to the sales volumes reached in 1973 before the oil crisis. Indeed, the Italian, British, and especially Japanese markets still remain well below their 1973 peaks, while the more buoyant West German and French markets are both expected to decline by some 6 percent over 1977-1979. Similarly, car sales in the United States which climbed in 1977 to within 5 percent of their 1973 peak are also expected to fall in the near future. Market projections furthermore suggest a long-term decline in the rate of growth of the U.S. market from a post-war average of 4 percent to an estimated 1.5 percent.[1]*

Rich Kronish teaches sociology at the University of Massachusetts at Boston. He wishes to thank Judy Goldberg, John Humphrey, Allen Hunter, Ken Mericle, and especially Harry Magdoff for their assistance at different stages of this article.

* Notes will be found at the end of the article.

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Table 1
New Car Sales (in thousands)[a]

Country	*1973*	*1975*	*1977*	*Percent 1973-1977*
West Germany	2,031	2,106	2,561	+26.1%
France	1,746	1,482	1,907	+ 9.2%
Britain	1,662	1,194	1,324	–20.3%
Italy	1,449	1,055	1,221	–15.7%
Japan	2,939	2,738	2,517[est]	–14.4%
U.S.	11,351	8,262	10,752	– 5.3%
Totals	21,178	16,837	20,282	– 4.2%

(a) Represents new car registrations.
Sources: Economist Intelligence Unit, Special Report No. 34, "The West European Motor Industry"; *Motor Business,* Nos. 91 and 94, "Short Term Prospects"; *Motor Industry of Britain—1977; Multinational Business,* No. 3 (Sept. 1975), "The Rise and Rise of Toyota and Nissan"; *Ward's Automotive Yearbook—1978.*

Table 2
Car Production (in thousands)[a]

Country	*1973*	*1975*	*1977*	*Percent 1973-1977*
West Germany	3,649	2,908	3,791	+ 3.9%
France	2,867	2,544	3,092	+ 7.9%
Britain	1,747	1,268	1,328	–24.0%
Italy	1,823	1,349	1,440	–21.0%
Japan	4,470	4,568	5,431	+21.5%
U.S.	9,668	6,717	9,216	– 4.7%
Totals	24,224	19,354	24,298	+ 0.3%

(a) The discrepancy between car production and new car sales represents net exports and inventories.
Sources: Same as Table 1.

Overall market stagnation has not affected the major national industries or corporations evenly. Table 2 shows that the French and German industries recorded significant production increases in 1977 over their 1973 volumes, while the Japanese producers—despite a stagnant home market—boosted their production by almost one million units! By contrast, the U.S. industry recorded a 5 percent production decline, while the Italian and British industries fell considerably short of their 1973 peaks. These declines in conjunction with post-1973 additions to pro-

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ductive capacity have left both the West European and U.S. industries with excess capacity that even in 1977 almost certainly exceeded 20-25 percent.[2] The importance of capacity utilization for determining productivity and profitability has intensified competition while implying a major financial crisis for the weaker producers (including British Leyland, Fiat, Chrysler, and American Motors) as their profits (if not losses) become insufficient, despite very sizable price hikes, to finance necessary investments.

Since a detailed examination of the overall crisis in the car industries of the developed countries is beyond the scope of this article, I will focus here on the West European industry, where the crisis has been most severe. This article will trace the origins and explore the dynamics of the crisis in the West European car industry as well as examine the viability of the different alternatives available to the major European firms to cope with it.[3]

The Development of the European Industry

Although the automobile was originally conceived and created in Europe, the European manufacturers were slow to adopt modern production techniques. The European industries thus remained fundamentally unchanged during the first two decades of the century, with numerous firms engaged in small-scale production. By contrast, the introduction in 1913-1915 of the techniques of mass production and the consequent dramatic decline in unit costs profoundly transformed the American industry. By 1920, when the French industry, then Europe's most advanced, counted some 150 firms with production amounting to only 40,000 vehicles, the American industry produced 2.2 million cars with two firms (Ford and General Motors) accounting for over 60 percent of production.

Competition, however, soon compelled the national auto industries of Western Europe to duplicate the American pattern of concentration and centralization.* In the late 1920s and the

* Concentration simply refers to production on an expanding scale, while centralization "may result from a mere change in the distribution of capitals already existing" (Marx), from the regrouping of capital in fewer hands.

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1930s, the introduction of mass production techniques permitted a few rapidly expanding firms in each national industry to swamp and/or swallow up their smaller, less efficient competitors. This process of concentration and centralization within the different national industries was further advanced by the competition generated by the entry and expansion of Ford and General Motors manufacturing subsidiaries in Western Europe in the mid-1920s and early 1930s. The result was that in each producing country a few large firms employing the new methods of mass production came to dominate the national market. In Britain, the number of producing firms fell from 88 in 1922 to 22 by 1936, with six big firms (including the Ford and GM subsidiaries) accounting for over 90 percent of the market. In France, the biggest three held 68 percent of the market by 1928, while in Germany the same process of concentration and centralization left the three largest firms holding 74 percent of the market by 1937.[4]

The process of concentration and centralization in the national auto industries of Western Europe continued in the post-Second World War period, particularly in the late 1960s as competition intensified, driven by two factors. In the first place, the European market experienced a sharp decline in its annual rate of growth, falling from approximately 16 percent between 1950 and 1964 to under 6 percent for the years 1964-1974. This decline particularly limited the viability of the smaller, less efficient firms.

The creation of the Common Market in 1956 with its reduction and eventual (1968) abolition of all internal tariffs between EEC members also intensified competition in the auto industries of Western Europe. On the one hand, the lure of a single, tariff-free, European automobile market led the three top American firms to expand their European operations: Chrysler entered the European market with acquisitions of French, British, and Spanish subsidiaries, while Ford and GM each invested some $1.5 billion between 1960 and 1968, a figure in excess of the investments of even their largest European rivals. As a consequence, the U.S. share of the European market rose from 23 percent in 1962 to 29 percent in 1967. A further consequence was a string of "pre-emptive or defensive" mergers, "de-

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signed either to prevent entry by U.S. firms or to strengthen local firms in competition against the Americans,"[5] often with the encouragement (if not under the aegis) of the national government, e.g., the merging of Leyland and BMC in Britain in 1968 to create British Leyland (BL); VW's acquisition of the Auto-Union; and Fiat's takeover of Lancia, Autobianchi, and Ferrari.

On the other hand, the creation of a single European automobile market accelerated the interpenetration of the national auto industries of Western Europe. In each national industry the domestic producers experienced growing competition from tariff-free imports produced in other EEC countries. Table 3 shows the increasing market share in France, Germany, and Italy accounted for by imports from other EEC countries between 1958 and 1970.

Table 3
Percentage of Automobile Market in EEC Countries Supplied by Imports from Other EEC Countries, 1958-1970

Country	*1958*	*1970*
France	1%	16%
West Germany	7%	25%
Italy	2%	28%

Source: L. T. Wells, Jr., "Automobiles," in *Big Business and the State: Changing Relations in Western Europe,* ed., R. Vernon, p. 246.

These developments also affected the organization of the process of production, spurring a tendency toward the internationalization of production. In conjunction with a significant increase in labor militancy and disaffection throughout the motor industries of the advanced capitalist world—as measured by wildcat strikes, complaints and grievances, labor turnover, absenteeism, lateness, etc.—the creation of a single European automobile market and the heightening of competition in the European industries prompted Ford to begin to reorganize its European production on a truly European basis. Ford thus began in the 1969-1971 period systematically to integrate its European subsidiaries into a single production unit with different subsidiaries pooling common costs and tending to take responsibility for different elements of the production process.

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More specifically, Ford attempted to eliminate duplicative costs (e.g., separate dealer organization representing two subsidiaries in third countries) as well as pool resources for necessary costs (e.g., design and engineering costs for new models). In addition, it sought to minimize production costs through the use of common components. This latter effort represented Ford's attempt to begin to realize the economies of scale implicit in the production of some components—economies far larger than those possible in assembly operations and certainly well beyond the capacities of Ford's individual subsidiaries.

Recognition of the savings afforded by these steps should not however obscure an additional benefit provided by the internationalization of production. Ford also turned to the integration of its European operations in an attempt to undermine the labor militancy it increasingly confronted in the countries of Western Europe (particularly Britain) and to weaken the organized power of the auto workers. The organization of production on a European basis permitted Ford to threaten, openly or implicitly, the trade unions to "shape up or else we'll transfer production" to a less militant area. In addition, it permitted Ford to institute "double-sourcing" (produce the same component or part in more than one country), an extremely useful weapon during any strike or labor dispute.*

* Reliance on double-sourcing makes it clearly imperative for the trade unions to develop some degree of international cooperation. Indeed the unions have had some success in maintaining solidarity against Ford's attempt to transfer production during strikes. During the 1968 strike at the Ford assembly plant in Belgium, for example, the unions in Germany and Britain refused to increase their production levels. A similar event occurred in 1971 during the Ford strike in Britain. Note also that the double-sourcing of components with enormous economies of scale (e.g., two million units per year) conflicts with the attempt to minimize production costs. Nevertheless it may (at least at times) be preferable, since the development of a specialized plant serving as the sole source of a necessary component for all of Ford of Europe entails significant political risk; without double-sourcing, the workers in the plant have the power to bring Ford's production throughout Western Europe to a halt. The 1969 strike in Britain which affected production in both Germany and Belgium drove this risk home for Ford. For some time thereafter, Ford consequently relied entirely on double-sourcing so that "no one plant exist[ed] (1973) as the sole source of a component for Ford Europe's cars."[6] The development of the Fiesta now seems to have marked the end of this reliance on double-sourcing.

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The Crisis

By the early 1970s, then, the European auto industry had assumed a relatively concentrated and centralized form. While the process of centralization had failed to create any successful inter-European firms representing more than one national capital, nevertheless within each national industry those firms that remained independent of the three American giants had tended to coalesce around a few large national firms—Volkswagen (VW) and Daimler-Benz in West Germany; Renault, Peugeot, and Citroen in France; Fiat and Alfa-Romeo in Italy; and British Leyland (BL) in the U.K. All these firms (with the exception of Alfa-Romeo), as well as the European subsidiaries of Ford, General Motors, and Chrysler, maintained production capacity in excess of 600,000 cars per year and together held over 90 percent of the entire European market. For most of these firms 1973 was a prosperous year, with production reaching new peaks. Then came the crash in 1974-1975, and *all* the European volume car producers experienced serious declines in production and profitability. It is now clear, moreover, that the crash of 1974-1975 was not simply a short-term downturn in the industry but in fact the beginning of a far more fundamental and longer-term realization crisis now plaguing the European auto industry.[7] This crisis reflects two underlying developments: on the one hand, the overall market available to European-based auto producers has begun to stagnate; on the other hand, additional producers have begun to compete for that market.

The decline in the growth of the market open to the European producers reflects in turn several developments. In the first place, the growth of assembly and then manufacturing operations in underdeveloped countries (e.g., Brazil, Mexico, and Argentina) has significantly reduced the potential for European car and parts exports to the Third World. Second, sales by the European producers to the American market have been significantly restricted by successive dollar devaluations and Japanese competition. Finally, the decline in the rate of growth of the European market continues, depressed still further by the effects of the oil crisis. According to one business estimate, the rate of growth of the market will approximate 3 percent for the rest of the decade and will then further decline slightly until

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1985—a far cry from the 15+ percent annual growth rates of the 1950s.

These changes in the size of the market have been exacerbated by the appearance of additional competitors. Perhaps most significant is the Japanese presence in Europe which will, in all likelihood, involve direct investment in the near future. In any case, steadily increasing Japanese car imports now account for approximately 7 percent of the overall European market, with an even larger share of the market in several countries including Britain. Additional threats are posed by Eastern European and Third World competition. In 1975, exports from Eastern Europe numbered 70,000 vehicles, not significant in itself but nevertheless double the 1970 level. Moreover, this figure could easily double again by 1980. The possibility of a flood of imported cars and especially parts from Third World subsidiaries of the major auto companies further threatens the European industry. With several Third World governments effectively subsidizing motor-vehicle exports, the multinational producers have begun to farm out component production to low-wage countries.

Taken together, these developments imply serious overcapacity in the European motor industry. As the Central Policy Review Staff (CPRS), a U.K. government "think-tank," stated in its 1975 report, "the prospect is for 35 percent overcapacity in Western Europe for the next seven years, which implies intense competition [and] low profits. . . ."[8]

The prospects are especially gloomy for the British and Italian industries which in the period 1969-1971, relatively good years for the industry as a whole, recorded average profit rates of only 3.5 percent and 4.8 percent, respectively, compared to 6.8 percent and 12.4 percent for the French and West German industries.[9] The CPRS further observed that "it [is] certain that competitive conditions in Western Europe for the next decade will be extremely difficult for inefficient producers."[10]

Under these circumstances it is important to recognize the range of responses available to the European producers, for—given the centrality of the automobile industry—they carry with them enormous implications for the working classes of Europe, and in particular for the two million European automobile workers.

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The Alternatives

One option open to the European producers is to expand their overseas operations in an effort to regain the overseas markets they have lost. VW has, for example, now jumped the devaluation "wall" surrounding the American market and initiated production in the United States itself, while Fiat has recently begun production in Brazil. The decision to supply overseas markets—and perhaps to a very limited extent the European market itself—from overseas production sites implies however: (a) the intensification of competition in Europe (should VW, Fiat, etc., maintain their European production capacities—hardly the solution to the problems of the West European industry as a whole); and/or (b) a significant decline in European production and employment, as illustrated by VW's apparent decision to reduce its labor force in Germany by over 40,000 workers.

The European producers can also attempt to increase their profitability by boosting prices. Already, retail prices have jumped quite significantly, rising some 30-50 percent for most models between 1974 and 1976. The difficulty with this approach is that price hikes of this order further shrink the overall market. Moreover, it seems unlikely that the high existing degree of excess capacity will permit prices to rise sufficiently to save the least profitable producers.

The major firms have also attempted to maintain and indeed to expand their respective shares of the European market itself. Ford, for example, has pursued this strategy by entering the growing mini-car sector of the European market, while both VW and Fiat have introduced several new models to expand their market shares. It scarcely needs to be said that these efforts by individual producers, however necessary and even successful they may individually be, simply exacerbate the overall situation confronting the producers as a group. Ford's successful efforts with the Fiesta especially dramatize this conflict between the interests of individual European producers and the group as a whole, for in order to produce the Fiesta Ford has constructed an enormous plant complex in Spain, which has increased its European capacity by 20 percent.

Finally, the European producers have attempted to ra-

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tionalize their production patterns in order to achieve economies of scale and thereby reduce overall production costs. They have sought to reduce the number of separate car-body shells, engines, and other components in order to increase their production runs enough to enjoy the enormous economies of scale implicit in body "stamping" operations, engine production, and other component production. VW has begun, for example, to use the same basic engine in its Golf, Polo, and Audi-50 models. In a related effort at rationalizing production, the European firms have also tried to achieve economies of scale by imposing plant specializations.

The efforts of the European producers to rationalize their production processes have not focused exclusively on domestic operations. Following Ford's example in the late 1960s, the European producers have also tended to internationalize their production patterns. The internationalization of the production process has taken two forms of integration in Europe: (1) between separate firms, and (2) between international subsidiaries of the same firm.

The European national firms have tended to favor the first form of internationalization and have established joint retail sales facilities as well as joint research and development projects (e.g., Daimler-Benz and VW). These efforts parallel Ford's earlier efforts to eliminate duplicative costs and pool necessary costs. Several European national firms have also turned to joint ventures for component production in an effort to appropriate the unit savings available at levels of production otherwise beyond their individual capacities. For example, production at the jointly owned Douvrain engine plant will soon reach 5,000 units per day, permitting economies that its owners (Renault, Peugeot, and Volvo) could not otherwise realize.

The American auto producers, by contrast, have favored the second form of the internationalization of production, preferring to integrate their European subsidiaries into a single European operation. In this respect, Ford has continued to play a pioneering role, particularly with its new Fiesta. By producing the Fiesta on a Europe-wide level, by integrating on a Europe-wide level assembly and component plants with very different optimum production levels, Ford is seeking to

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achieve production runs sufficiently long "so that all the different plants can operate at near optimum size."[11] Ford thus assembles the Fiesta at three separate locations (in Germany, Britain, and Spain) while tending to further concentrate production of components which—it is worth repeating—have optimum levels of output far larger than do assembly operations.*

State Intervention and Its Limitations

The European producers have thus turned to a wide range of alternatives in order to deal with the present crisis. These measures seem to have permitted the stronger firms in Europe—Ford/U.K. as well as those producers based in France and Germany—to largely regain their pre-1974 sales and to restore, if not exceed, their 1973 profit levels. By contrast, the weaker European firms remain in a very difficult financial position, with profits falling short of what would be needed to finance investments essential in an increasingly competitive industry. The present position is clearly untenable and implies another round of mergers and/or acquisitions.

The collapse of sales and profits in the post-1973 period has in fact already generated several mergers and acquisitions (notably Peugeot's acquisitions, first of Citroen and recently of Chrysler's European operations); and continued financial difficulties might lead to the further concentration of motor capital *within* national industries. It is unlikely, however, that they will lead to the concentration of capital *across* national lines which—given the high degree of concentration of the European industries—now appears to be the only way by which British Leyland or Fiat or any of the other large national firms might be acquired. Such an acquisition would confront overwhelming opposition, for it would effectively denationalize the particular industry and thereby threaten the sales, employment, and prosperity of the many industries (steel, rubber, glass, etc.) that depend on a national automobile industry.

* While GM has generally lagged behind Ford in integrating its European operations, it is interesting to note GM's attempt to internationalize the development and production of its Chevette model on a truly worldwide basis, integrating its subsidiaries in the U.K., Germany, Japan, Brazil, and the U.S. in order to pool research and development resources and maximize economies of scale.

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The only alternative to financial collapse under these circumstances is state intervention, and an increasing number of firms have come to depend on government support (including ownership) for their survival during the present crisis. The depth of the crisis in the British case has led the government, which had comparatively little previous involvement in the industry, to play a particularly active role. In a determined effort to maintain motor-vehicle manufacturing in Britain, the Labour government has intervened in behalf of both Chrysler/U.K. and BL. In Chrysler's case, it provided the firm with a £162.5-million rescue package designed both to underwrite future losses and to finance development of a "new model which . . . [was] to restore a vital competitive element to the company's operations."[12] BL's mounting difficulties (including an approaching liquidity crisis) drew still greater government support. In 1974-1975, the Labour government acquired control of the firm—nationalizing it for all practical purposes—while simultaneously indicating its willingness to provide sufficient funds "to put BL on a viable and competitive basis in the longer term."[13]

The Labour government's intervention into the British industry also demonstrates the *limitations* of state intervention in the context of the European situation as a whole. First, it is questionable whether the financially-strapped British government can and will allocate the funds required by the industry to be competitive with its European rivals. More significantly, it is dubious that even the allocation of additional funds will stem the industry's decline. This prospect—implying continued losses and mounting car imports as well as increasing difficulties for the many auto-related industries—has necessitated an additional, deeper form of state intervention that has, however, thrown the Labour government into direct confrontation with the auto workers. More specifically, the relative weakness of the British auto producers has meant that, in order to cut the overall wage bill and thereby make the British industry more competitive, the state has had to attempt to shift the crisis of the industry onto the auto workers by effecting a transformation of labor relations (labor "peace") and shop-floor work practices (increasing productivity, i.e., speed-up). While it is not possible to examine this

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attack on the British auto workers here, it is worth emphasizing that the workers are a particularly militant, class-conscious sector of the British working class, and the success of these efforts to discipline them must not be assumed—certainly not short of a long, intense struggle.[14]

Conclusion

While this article has focused on the dynamics of the crisis in the West European automobile industry, it is worth reiterating that this crisis has not occurred in isolation. Indeed, it corresponds to a general crisis in the car industries of the developed capitalist countries. Accordingly, it may be useful to conclude by listing the following developments which, generated by the intensification of competition in the car industries of the developed capitalist world, have occurred or are apt to occur:

(1) Intensification of efforts to limit Japanese car exports, followed in time by the establishment of large-scale assembly operations by the major Japanese producers in both Western Europe and the United States.

(2) Continued expansion by the major producers into market sectors and areas where they previously lacked a significant presence (e.g., Renault into the U.S. market via American Motors).

(3) Further steps in the internationalization of the process of production as the major firms increasingly integrate their worldwide operations into a single production unit (e.g., Ford's assembly in its Canadian plants of a "U.S.-produced" Mustang using a French transmission and a Brazilian engine). Note in this respect the growth of U.S. imports of motor vehicle parts from $2.4 billion in 1971 to $6.8 billion in 1976.

(4) Further concentration and centralization in the industry as financially weak producers are taken over either outright or in stages (e.g., possibly American Motors by Renault) and as firms, particularly in Europe, continue to establish joint production, design, and marketing arrangements.

(5) Continued efforts by the automobile firms both to reduce employment and erode the working conditions of the auto workers in all three major producing areas.

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NOTES

1. Market projections are based on *Motor Business,* no. 94, "Short Term Prospects for the Passenger Car Sectors of West Germany, France and Italy," p. 1, and *Motor Business,* no. 93, "The Prospects for the Automotive Industries in the United States and Canada in 1978," p. 12.
2. While it is extremely difficult to measure productive capacity, estimates for the West European and U.S. industries of 14.1 million and 12.0 million units, respectively, seem reasonable. See "The Future of the British Car Industry," Central Policy Review Staff (CPRS), 1975, p. ix, and *Business Week,* January 20, 1975, p. 82.
3. For a fuller examination and documentation of these themes, see Rich Kronish, "Crisis in the West European Motor Industry: Class Struggle in the British Motor Industry," *Radical Review of Political Economy,* Summer 1978.
4. Rhys Jenkins, "Internationalization of Capital in the Motor Industry," *Bulletin of the Conference of Socialist Economists,* October 1976, p. 2.
5. *Ibid.,* p. 7.
6. Huw Beynon, *Working for Ford,* 1973, p. 182.
7. Ben Fine and Laurence Harris, "The British Economy: May 1975-January 1976," *Bulletin of the Conference of Socialist Economists,* October 1976, p. 8.
8. CPRS, *op. cit.,* p. ix.
9. National Economic Development Office (U.K.), "Motors—Industrial Review to 1977," 1973, p. 15.
10. CPRS, *op. cit.,* p. 57.
11. The Institute for Workers' Control, "Document: A Workers' Inquiry into the Motor Industry," *Capital and Class,* Summer 1977, p. 109.
12. The Economist Intelligence Unit, Special Report No. 34, "The West European Motor Industry: Where Now?", October 1976, p. 65.
13. *British Leyland: The Next Decade,* abridged version of the report presented to the Secretary of State for Industry (U.K.) by a Team of Inquiry led by Sir Don Ryder, p. 71.
14. For an account of this struggle, see Rich Kronish, *op. cit.*

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BOOKS

KOTZ ON BANKER CONTROL

By Edward S. Herman

Bank Control of Large Corporations in the United States by David M. Kotz. Berkeley and Los Angeles: University of California Press, 1978. 230 pages, $11.50.

The main theme of this work is that banker control of the large corporation has taken on renewed life in recent decades, based primarily on the growth of the stockholdings of commercial bank trust departments, owned and managed by banks for wealthy individuals and (increasingly) pension fund accounts. Kotz gives secondary weight to the power derived from directorships and creditor positions held by the banks. According to his calculations, of the 200 largest non-financial corporations in the late 1960s, 69 (34.5 percent) were under financial control, holding 25.4 percent of the assets of this important group of companies. Of the 69, 13 were fully controlled by financial institutions, 46 were partially controlled, and 10 were controlled jointly by a financial institution and a large ownership interest.

In his main line of argument and findings Kotz is in the Fitch-Oppenheimer tradition,[1]* and, regrettably, his methodological deficiencies are also in the same tradition. His work is more extensive than theirs and some sub-topics are treated with breadth and insight, but the scholarly façade is flawed by a selectivity that accords regularly with the hypothesis to be proved. This is especially dam-

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* Notes will be found at the end of the review.

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aging here since Kotz uses a "passive" control definition which attempts to identify power that may not necessarily be exercised. Thus the whole enterprise rests on the validity of the premises and the scruple with which they and the control definitions have been established and checked against the relevant facts—both supportive and contradictory. It is at this fundamental level that Kotz fails to convince.

One of his criteria for financial control, for example, is "That there are 'unique circumstances' which provide reliable and compelling evidence of full control by a financial institution." Curiously, he does not note the possibility that "unique circumstances" might be identified that could lead to a *negative* control conclusion, and he systematically ignores such evidence even when it is patently obvious. The most blatant case involves Goodrich Tire, which Kotz classifies as under the "full financial control" of First National Bank of Chicago because the bank allegedly controlled Northwest Industries, which owned 16.3 percent of the voting stock of the tire company. Ignored by Kotz is the well-publicized fact that the Northwest holding resulted from a tender offer for control in which Northwest was resoundingly defeated by the Goodrich management, obtained no power whatsoever in the company, and began divestment shortly thereafter. Kotz does not find this a "unique circumstance," but simply applies his stock percentage rule without qualification. His explanation for finding Northwest Industries "fully controlled" by First National Bank of Chicago is almost equally indefensible: it is based on a 5.1 percent ownership of Northwest stock by the bank, plus a directorship and membership on the Executive Committee. As I will discuss below, these criteria do not suffice to establish full control; but in this case, too, Kotz disregards the numerous reports that Ben Heineman, the top officer of Northwest Industries—also a director of First National Bank of Chicago—runs Northwest Industries in an authoritarian system of one-man rule.[2] Kotz even has ITT partially controlled by two investment banks, Lazard and Kuhn Loeb, on the grounds that they underwrote ITT bonds, that ITT has a fairly high debt-equity ratio, and that both banks are represented on the ITT Executive Committee. He simply ignores the massive evidence that Harold Geneen completely dominated the company for many years, including Kotz's period of study, and that ITT has been very successful financially and could command services from any investment bank in the world. The bankers came on the scene late, and the historical evidence and financial position of the company

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indicate that the two investment bankers were simply well paid outsiders, whose "control" is about on a par with that of ITT's auditors or legal counsel.

Another important case of disregard of well-known (but inconvenient) facts is Kotz's classification of CBS as controlled by the Chase Manhattan Bank, based on a reported stock ownership with power to vote of 14.2 percent in 1972. This is an unusually high figure that arouses suspicion by its very size—and also because published data in immediately succeeding years show Chase with relatively small holdings. In fact, from October 31, 1973, to the present, Chase's published reports show it holding under 1 percent of CBS's voting stock, which means that by Kotz's criteria "full control" suddenly disappeared in 1973. Chase claims that the 14.2 percent figure is a mistake—over two-thirds of the 14.2 percent were non-voting stock—and the bank has never held anywhere near 10 percent of CBS voting stock.[3] Even more important, however, is Kotz's simple disregard of the "special circumstance" that Mr. William Paley is on record as personally owning about 6 percent of the voting stock, that Paley has been top officer since 1928, and that massive evidence points to his total command of CBS for several decades.

Kotz's book is a study of the control of the 200 largest nonfinancial corporations. The author uses an asset definition of size; but he adjusts the sample to reduce the representation of utilities from 67 to 10 on the grounds of bias in the asset criterion. He does not make the same adjustment for transportation companies. No doubt coincidentally, utilities do not often meet Kotz's criterion for banker control, whereas transportation companies frequently do—in fact 5 of the 13 companies he claims to be subject to full financial control are transportation companies.[4] A curiosity in this demotion of utilities is that they are very heavy users of debt, and in Kotz's explanation of why banks would want to establish control of nonfinancial corporations, their desire to capture loan business ranks high. The fact that banks don't seem to control large utilities Kotz finds puzzling (p. 107), but he leaves it at that—and excludes 57 utilities from his sample!

Kotz focuses attention on ultimate rather than immediate control, which eliminates the many cases of one corporation controlling another (a form of owner control, rather than banker control). "This means that, if nonfinancial corporation A is found to be immediately controlled by nonfinancial corporation B, then whoever controls corporation B is held to control A as well." But Kotz does not follow through on this search for ultimate control with

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any consistency. For example, he has Alcoa and Gulf banker-controlled, because the Mellon Bank held 20.5 percent and 14.8 percent of the voting stock, respectively, although elsewhere in the book he notes that the Mellon *family* owns a controlling interest in the Mellon Bank. Ultimate control is therefore in the hands of an owner family, not the Mellon Bank. He does this with Chase Manhattan Bank (and others as well), which he claims to be controlled by the Rockefeller family, but whose control holdings are classed as bank—rather than family—controlled. Even Eastern Airlines, in which Laurance Rockefeller has been long personally involved, with his own representative on the board, and individually owning an entire preferred stock issue, is classed as banker-controlled not Rockefeller family-controlled. Thus Kotz systematically violates his own rule of stressing ultimate control, stopping at the bank level, rather than pressing behind to see who controls the bank, a stratagem which enables him to identify a lot of "bank-controlled" companies.

Most of the Alcoa and Gulf stock owned by the Mellon Bank is not owned with sole voting rights in the bank but with the bank as co-fiduciary,[5] having partial voting rights. Kotz regularly includes the stock in which the bank has only partial voting rights as reflecting authentic bank power. He relies upon a vague FCC ruling that the two types of voting rights should be merged "for the reason that any large position in itself has the potential to be a force in management because banks generally vote the stock one way." This begs the question of who determines the "one way," the bank or the other co-fiduciaries. Where the other co-fiduciaries of a large holding are members of a powerful family, the bank normally defers to the family, and in case of a difference between the two the bank couldn't legally proceed on its own in voting the stock without explicit family agreement. Furthermore, with many large personal trusts the co-trustee can be removed by the family, so that the bank would not possess the ultimate power in any case. Kotz consistently underestimates the power of bank customers, customer management, and the families that dominate some of them: for him, power always moves in one direction, from bank to customer. But with the largest non-financial companies the number of credit options is large, the business benefits between bank and customer are reciprocal, and power is not undirectional. If power is measured by profits, a major index of corporate success and influence, then the largest non-financials are far more powerful than the big banks, which have enormous paper assets and liabilities but relatively small equity and net income. *The 1975 net*

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income of Exxon and IBM each approximated the net income of the 50 largest banks taken together.

Kotz offers a theory of the evolution of ownership power between bank and wealthy family, with a large compact family block first placed with the bank in a trust, with partial bank voting rights; then a subsequent division of the estate among many family members while the stock remains in the bank; and then the bank finally achieving full voting power and control. He gives only one actual sequence of "full transition from owner control to financial control" which seems to conform to his model. Mercantile Trust of Baltimore ended up with 54.5 percent of the stock of the Atlantic Coast Line Company in 1967, with full bank voting rights over 51.7 percent, and Kotz offers a number of "surmises" that this evolution proceeded as his model suggests. One fact he neglects mentioning is that Henry Walters, who accounted for almost all of the stock in the bank with sole bank voting rights, happened also for a long time to have been chairman of the Mercantile Bank itself! Kotz also omits mention of the important sequel—between 1967 and 1975 the Mercantile Bank sold off almost all of its stock in the company and held under 2 percent by the end of 1974. No other case is cited by Kotz of a family control holding evolving into a bank holding of significance for control.

The fundamental question, of course, is how do we establish the locus of control of a corporation in the first place? Logically the answer should come from a theory of corporate organization and power, including an analysis of corporate boards, their selection and role, the ways in which insiders can build power and outsiders impinge on it, and the role of interlocks and other external relationships. In a similar (but superior) book which expounds a banker-control hypothesis, Jean-Marie Chevalier does this,[6] at least to the extent of discussing at some length the structure of corporate boards, the mechanisms of corporate control, and the characteristics of the various control groups. Kotz, in contrast, offers no theory or analysis of the nature of boards, corporate power structures, or intercorporate relationships, although he has some occasional and apt remarks on those subjects. All of a sudden he confronts the reader with *definitions* of full and partial financial control. For Kotz "full financial control" exists if one of three conditions is met: (1) a financial institution has full or partial voting rights over 10 percent or more of a company's stock; (2) it has 5 percent ownership and is either a "leading supplier of capital" or has strong representation on the board; or (3) "special circumstances" exist pointing to financial control.

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Kotz defends his percentage figures on two grounds. First, 10 percent is the figure "used most often" in studies of control; and in explaining his 5 percent figure he says, "In recent decades a 5 percent or larger stockholding has increasingly come to be regarded as significant for control." This is muddy and evasive language—"significant for control" is not control, and most of the authorities cited such as the Patman Committee and various legislative enactments have little scientific weight. And an appeal to authority is hardly a substitute for serious analysis, especially when one's case rests so heavily on pure numbers.

In a paper published after the book under review Kotz defends his 5 percent criterion on the ground that a holding of that size provides the basis for starting a proxy fight.[7] Characteristically he cites no case where an investor has started a proxy contest from a base of 5 percent or less, and he would be very hard pressed to find instances where financial institutions initiated proxy fights even with higher levels of stock ownership. Virtually all intercorporate control struggles are initiated by operating or conglomerate-type companies, such as Trane or United Technologies, and they usually buy more than 5 percent as a prelude to a tender offer to stockholders. Parenthetically, it is a common but erroneous belief that increased dispersion of stock increases the control capabilities of small holdings. Dispersion, in fact, tends to enhance the power of strategic position and to make small holdings irrelevant to power. In the case of A T & T, for example, if the management held 4 percent it would not control *because* of the 4 percent but as a consequence of strategic position and dispersion. If it sold off its 4 percent, it would still control with ease (as it does at present). If an outsider bought 4 percent of A T & T's stock this would give it no power whatsover. Kotz does not discuss this set of issues, including the important matter of the difference between new and old holdings of stock.

Chevalier on the other hand, distinguishes between the ownership needed to *obtain* control and that required to *preserve* it, arguing that 15-20 percent might well be needed to gain control initially whereas as little as 5 percent might suffice to preserve it. Whatever the merits of Chevalier's numbers, the point seems worthy of discussion, especially in light of the numerous cases where attempts to control have failed despite acquisition of 10 percent or more of a company's stock. Alleghany Corporation acquired 30 percent of the stock of USM Corporation in the early 1970s and was successfully rebuffed by the USM management. Curtis Wright recently bought about 10 percent of Kennecott and failed to gain

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control, and we have already mentioned the abortive 16 percent acquisition of Goodrich stock by Northwest Industries. Still more recently, in a development that may not be concluded as yet, Standard Oil of California, owner of 20 percent of the voting stock of Amax, proposed buying majority control and was turned down by the Amax board of directors. A 10 percent holding with full voting power is impressive and may well signify control, but exceptions are numerous even in cases where there has been an intention to control, and it is obvious that analyzing control still demands a willingness to look at the historical and institutional context.

Kotz's second defense of his 10 percent criterion is as follows: "Since financial institutions have more potential sources of power over non-financial corporations than do most non-institutional holders, and are usually well informed about corporate policies and have good connections with other institutional stockholders, it seems reasonable to use the 10 percent figure for identifying full financial control." (p. 80) If this *is* reasonable, then it ought to be easy for Kotz to show by independent evidence some cases of full control associated with his numbers—but he shows none. In fact, however, his point is *not* reasonable because, like Fitch and Oppenheimer, Kotz simply refuses to discuss the factors that might reduce the power significance of institutional investor ownership. He simply assumes that a potential source of power is realized, even if it is illegal to do so; and legal constraints are never taken into account in his book. For example, a wealthy individual investor like Henry Crown, buying for control, is likely to be subject to no antitrust constraint. A major bank would be, and Kotz cites the case against Cleveland Trust by the Department of Justice—but only to illustrate bank power, without mentioning that it shows bank vulnerability in attempted acquisitions for control.

An even more important consideration that Kotz disregards is the fact that institutional investors like mutual funds and bank common trust and pension funds (in contrast with a Henry Crown or a corporate raider like Thomas Hart Mellon) are legally committed to managing investments for investment return and eschewing control. Widespread publicity is given to their investment performance, and companies whose pension funds are managed by banks follow the banks' performance (and that of competitive institutional investors) very closely. This investment orientation has several consequences important for control. One is that institutions tend to move into and out of stocks according to how well they expect companies to do, and there is clear evidence that institutions

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have higher rates of turnover than individual investors. If turnover is high, this means that institutions don't "stay with" companies very long—which makes it less worthwhile for institutions to *try* to control those companies (assuming that they could and wanted to control). High turnover should also reduce institutions' weight with managers, whose control would be more significantly threatened by permanent holders (like Henry Crown or Mellon) likely to "stay the course" and with a real control objective. Volatility makes Kotz's ownership criterion slightly absurd also, inasmuch as a bank will have "full control" one year and partial or none the next—and common sense tells us that control does not shift so readily. For example, according to Kotz, Morgan Guaranty Bank had "full control" over both American Smelting and Refining and Kennecott based on over 10 percent voting stock holdings in 1967; but in 1977 Morgan had under 3 percent of both and they presumably fell entirely out of the bank-control class. In an article in MR in June 1973, I showed this happening in airline stocks, but Kotz ignores all such facts and fails to discuss this issue at any point.

If banks are committed by law and contract to doing their best as prudent investors for their trust customers, and they then use these trust resources to try to gain control of companies for the advantage of the bank's commercial business (which Kotz assumes they do, without any discussion), this would be in violation of their fiduciary obligations and make them liable for damages—a constraint not operative on Henry Crown. It would also upset their pension fund customers, who include Mobil Oil, Ford Motor Company, ITT, and the like, whose goodwill is important to the biggest of banks. Kotz does mention that pension funds managed by banks are placed there by large companies that expect quality performance, but he does not suggest that this would interfere with the bank's use of these resources to work companies over in pursuit of its own commercial business.

It would also upset the management of a company whose stock was acquired by a bank if the holding constituted a threat to control. In studies of this question by the present author,[8] it was found that bank purchases of their customers stock in the usual ranges (up to 10 percent or even more) were either of little interest or were welcomed by the managements. Institutional investors, including banks, have been very management-supportive, and usually dispose of stocks long before dissatisfaction with management reaches a point that would arouse them to any serious anti-management initiatives. They occasionally vote against manage-

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ment, sometimes "for the record" in order to prove that they are not patsies, and Kotz cites such actions as evidence of bank willingness to exercise power!

Given the dominance of management over the proxy machinery, and the serious limitations on the strategic deployment of the voting stock by financial institutions, institutional ownership within the usual ranges (under 15 percent) has had little impact on the control of the large corporation. This is evident in the extremely conservative use of these holdings by institutions in voting processes. An interesting development ignored by Kotz is the fact that Morgan, the largest of the trust banks, asserted before a Senate Committee that they were anxious to rid themselves entirely of their voting powers over trust stock and were actively exploring ways of doing this (e.g., by passing voting rights back to pension funds or through them to ultimate beneficiaries).[9] It seems highly unlikely that Morgan would suggest this if the power it derives from the vote were important to its prosperity.

The impression conveyed by David Kotz of a contemporary and major resurgence of banker control over the large corporation is based on mystification, not science. On the absolute importance of bank control, Kotz states that "ultimate power rests with the bankers who are the major stockholders in and creditors of the modern large corporation. It is still a plutocracy." (p. 148) This is ideological self-indulgence, since his own inflated figures do not show this. The 69 companies among the 200 largest that he claims are fully or partially controlled by financial institutions held only a quarter of the assets of the 200, and the 13 fully controlled held a mere 5.6 percent of those assets. Furthermore, even Kotz's data show that financial control is sharply lower for the very large companies, and he acknowledges that the real giants are "so large that it is difficult for any single financial institution, or small group of financial institutions, to attain a position of control." (p. 103) But since the size trend is upward, this points to an important basis for expecting a secular decline in financial control.

On the question of trend, bank control of the large corporation appears to have been subject to a general decline since the late nineteenth century, as has their centralizing powers. The substantial level of financial control in the past was based on high concentration, especially in investment banking, during periods when even large companies were heavily dependent on access to capital markets for consolidations, mergers, and ordinary financing. But the quest for autonomy, the increase in internal sources of funds, and financial deconcentration through rapid regional and inter-

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national growth of a variety of financial institutions, has significantly reduced bank control powers over the giants. According to a forthcoming study by the present writer, which attempts to quantify the various forms of control over the largest firms in 1900, 1929, and 1975, the downtrend in banker control is found to be not only continuous but especially sharp between 1929 and 1975. And in a recent work on the evolution of giant corporations since the 1970s, Alfred Chandler concludes that the power of finance capital peaked before 1900, and even then was limited to the railroads and a few other special cases (like General Electric during the first decade of its existence).[10] David Kotz also finds a downtrend in financial control up to very recent times. His supposed counter-trend is post-Second World War; and it rests mainly on the growth of bank trust department stock ownership, whose control significance he greatly overrates, as described above.

The truth is that bank power and leverage with customers is almost always based on the lending function rather than on stock ownership, and with the very large companies it is almost without exception far short of control. The typical situation as regards major firms is one of reciprocity and community of interest and influence, but with mutual recognition of managerial autonomy as part of the rules of the game. Bank representation on boards is extensive, as is large company representation on the boards of the great banks. Morgan is on the board of General Motors not to control (which it could not do) but because a very powerful and valued customer wanted the prestigious name and support of this large bank, and the bank went on the board to accommodate the customer and protect and advance the bank's interest. Sometimes a bank *wants* to go on a board, but usually as an observation post or to build good will with a control group that the bank almost always supports and whose primary power it acknowledges and defers to. In this system of relationships the major creditor bank may have an edge over its rivals in getting company deposits and other valuable business, but within limits and assuming that service and price differentials are small. The banks have for many years concluded that the payoff to themselves of trying to go beyond friendly reciprocity is not worth the costs. The costs would include legal liabilities as negligent fiduciaries, the antitrust obstacle, the political reaction that would follow from this form of bank aggression, the "disaffection costs" of threatening the power of other management groups, the additional costs of directing and supervising enlarged control systems, and the likelihood of failure to gain control in any case.

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Financial institutions are important parts of a huge interlocking machine in which the constituent corporate entities are still to a significant degree autonomous, often competing with other companies, sometimes savagely, other times only within limits imposed by relationships, understandings, and collusion. The banks play an important role (as do ownership interests) by their sheer massive presence in the network of large interests. Even though the banks may not control GE, Gulf and Western, and U.S. Steel, their continuous interaction with the corporate leadership in lending, advising, and managing investments makes their views important in shaping general corporate objectives and strategies and in some cases (usually troubled borrowers) bankers may become part of active policy-making. Their main payoff from board directorships and the entire structure of relationships with large companies is not control, however; it is a strengthened relationship with the active control group in a community of interest system. Bankers are powerful servants of the largest non-financial corporations rather than their masters. In the overall system of communities of interest the connections are loose and tentative, and the old "interest group" systems not based on a solid ownership base have eroded over time. The bank centralization idea, with its vision of great spiders spinning their enlarging webs may titillate, but it completely misconceives the complexity of power and the drift of this potent and resilient system.

NOTES

1. Robert Fitch and Mary Oppenheimer, "Who Rules the Corporations?" *Socialist Revolution,* vol. 1, nos. 4-6, 1970. Kotz expresses his "great debt" to Robert Fitch in his Preface.
2. See, for example, "One-Man Rule Works for Northwest Industries," *Business Week,* May 26, 1973, pp. 60-61.
3. In a letter replying to an inquiry on this point, Chase claims that its voting stock in CBS in late 1972 was only 4.1 percent; all the rest was held in custodial and other accounts in which Chase had no voting power.
4. In a parallel study that I have done for 1975, but using the 200 largest without Kotzian adjustments, I find only one of the 200 bank-controlled (Union Pacific), although in quite a few I would classify the companies as partially bank-controlled or subject to a significant bank constraint.
5. A fiduciary is an individual or institution with a special legal responsibility to manage the affairs of a so-called "beneficiary." A trust agreement defines the fiduciary obligations of the trustee in supervising assets placed in the trust. In some trusts supervision is given not only to the bank but to one or more other parties, often members of the

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family placing the trust with the bank. Each of the group of co-trustees is a co-fiduciary, and decisions regarding the trust, such as voting the stock held in the trust, must be made by the co-fiduciaries jointly. The bank in this case has only partial voting rights, along with the other co-fiduciaries.

6. Jean-Marie Chevalier, *La structure financière de l'industrie américaine* (Paris: Edition Cujas, 1970).
7. "Finance Capital and Corporate Control," in Edwards, Reich, and Weisskopf, *The Capitalist System,* (Englewood Cliffs, N.J.: Prentice-Hall, 1978), p. 157.
8. See especially, Edward S. Herman and Carl F. Safanda, "Proxy Voting by Commercial Bank Trust Departments," *The Banking Law Journal,* February 1973, pp. 91-115.
9. See, *The American Banker,* February 4, 1975, p. 1.
10. *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass.: Harvard University Press, 1977), pp. 187, 374, 416, 426, 490-493.

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THE MYSTERIOUS ORIENT

By Roger Owen

Orientalism by Edward W. Said. New York: Pantheon Books, 1978. 368 pp., $15.00.

Along with the political domination and economic exploitation of non-European societies has gone another form of imperialism: the appropriation of their history, culture, and world view by European and American academics, administrators, and other experts. The link between the different processes is clear. If non-European societies could be understood, so too could they be controlled and contained. Even better, if such an understanding involved the apparent discovery that they were backward and primitive, this would provide a ready justification for their takeover by a supposedly more modern or progressive people. The result was the creation of an ideology supported and seemingly legitimized by the facts of power. Only in the age of decolonization has it come to be challenged in any significant way.

Nowhere has the formation of this ideology such a long and complex history as in that part of the Oriental world known as the Middle East. There, over the last 200 years, parts of a centuries-old polemic against the Muslim religion and against Muslim conquerors like the Turks have been reworked to produce a particular version of the old division between East and West, in which the East was made to stand for all the vices of laziness, sensuality, and

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cruelty which the West liked to imagine that it had left behind. As Edward Said describes it in his bombshell of a new book, the idea of the "Orient" as a special kind of place and of the Oriental as a special kind of person was endlessly redefined by scholars and travelers and colonial administrators, until it assumed the status of a dogma which continues to have a powerful influence on the Western imagination and on the Western political vocabulary.[1]* Proof, if it is needed, can be found in almost any newspaper editorial inveighing against "Arab Oil Ransom" or almost any Hollywood movie on a Middle Eastern theme.

For all its wealth of detail and telling quotations Edward Said's argument is a simple one. The Orient of the writers and scholars is "almost a European invention" with little basis in reality. Rather it is positioned on a crude dichotomy between East and West in which the unchanging, irrational East has of necessity to be a diametrically opposed image of all that is modern. Orientalism, he then goes on to assert, is the process of endlessly elaborating this distinction, an activity carried out not only in universities but also in the wider context of groups, associations, and institutions with a special interest in using or manipulating the societies of the Middle East for their own purposes. And always there was the special relationship with the facts of European, and later American, power which in Edward Said's telling phrase made "Orientalism fundamentally a political doctrine willed over the Orient because the Orient was weaker than the West."

The process, as Said describes it, has gone through several phases. The first began with Napoleon's conquest of Egypt in 1798 in company with a group of French experts who used the new fields of archaeology, political economy, and linguistics to place the study of the East on a seemingly more scientific basis. Later in the nineteenth century, developments in philology, and in particular the division of the world into different language groups—notably the Aryan and the Semitic—provided further justification for the idea of the East as a separate and backward entity. The next phase was ushered in by the actual colonization of the Middle East by the British and French, in which academic and administrator alike began to produce a more obviously instrumental view of Eastern weakness which could be used to manipulate and control their new subjects. Finally, after the Second World War, with real power over the Middle East transferred to the United States,

* Notes will be found at the end of the review.

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Orientalist knowledge was "released and dissolved into new forms," whether in the areas of popular images of the Arabs or the Muslims or through its central role in the centers of "Area Studies" where social-science concepts like modernity and development are used to provide yet another means of underpinning the old division between European and American societies and the rest.

Meanwhile, throughout this whole process, Orientalism has been able, continuously, to build up its own authority in such a way that almost any experience of the real East or any observation about it can still be accommodated to one or another of a limited set of simple assumptions. By the same token it also remains open for any European or American to make large and confident assertions about Orientals or Arabs in which each statement has the appearance of being backed by centuries of learning. A good recent instance of this has been much of the writing about the Iranian Revolution in which experts have repeatedly made huge claims to knowledge about Islam or about the political behavior of Islamic peoples, reducing all Iranians or all Muslims to a single depersonalized mass with a single mind and simple set of easily understandable motives. But much the same trick is played any time a university professor uses the appearance of academic science to prove, for example, that Palestinian nationalism cannot properly exist because there is no proper Arabic word for either "nation" or "Palestine." As an American of Palestinian origin, it is no wonder that Edward Said sometimes sounds angry nor that his prose often turns into a polemic against those who still use the authority of Orientalism in a crudely propagandistic way. On the other hand, he is certainly ready to take comfort from the present situation in which Eastern peoples are daily shown to be able to act positively in their own defense, thus giving the lie to those who still claim that they belong to an inert, unchanging, passive civilization.

This then is Edward Said's major theme: the important link between power and language, or power and knowledge, in which the way people think or talk about the world is directly influenced by past and present needs. But as he examines this particular relationship, he also touches—often in brilliant fashion—on a host of other topics. As befits an authority on the writing of Joseph Conrad, he is quick to spot the extraordinary hubris of a Napoleon, or a T. E. Lawrence who took it as his personal life's work to reclaim an Eastern society, to bring it to life, and to set it off on some course of his own choosing. More generally, the same interest allows the author to begin to fill in an important gap in most theories or general accounts of imperialism: the effect of the un-

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shackled exercise of power on the imperialists themselves. In doing so, he also widens the field of conventional inquiry to include not just administrators and colonial propagandists but also the novelists and journalists who have made their own special contribution to the mystifying idea of the mysterious East. Finally, he is very good at showing the way in which different nineteenth- and early twentieth-century texts dealing with the Middle East relate to each other, draw authority from one another, and, en masse, can be taken to constitute a coherent ideological field. Now that Edward Said has led the way, the same method should be widely utilized to examine other examples of the same process.

The weaknesses of the book are in some sense just the reverse of its great strength. Edward Said is no Orientalist himself and has never taught in a department of Middle Eastern studies. This gives him all the advantages of an outsider who can go straight to the heart of the matter and say at once what is wrong. But it also means that there are many aspects of the subject which he does not cover and about which he cannot be expected to know a great deal. His account of the historical origins of Orientalism is marred by an absence of any reference to the central work of German and certain other European scholars. More disappointingly, his treatment of the modern period is much too brief and misses much of the variety of recent works on the Middle East, many of which are far too sophisticated to use the old ideas about Arabs and Muslims in their pure and simple form. In others the use of propaganda or polemic is much more muted and its presence and its implications require careful, detailed analysis. To take only one example, it is not immediately obvious that the present use by political scientists of the concept of a Middle Eastern "political culture" can be used to smuggle in old notions about the Arabs as people with backward, anti-modern modes of political behavior. I should also mention that the list of modern writers on the Middle East of whose work Edward Said approves—including myself—seems much too short.[2]

Two other criticisms concern method. The first is Edward Said's epistemological argument that Orientalists writing about the Middle East (and by extension anyone writing anything about the world as it is) cannot talk directly about reality itself but can only use a second-order language consisting of representatives of that reality. Such a position has been held by a number of philosophers, but it has enormously difficult implications. If there is no way of judging whether what Orientalists have said about the Middle East is actually true—i.e., that it corresponds to some Middle

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Eastern reality—then their statements can only be dealt with either in terms of their internal consistency or in terms of their (dubious) morality. Edward Said finds them wanting on both counts. To him it is manifestly absurd for Orientalists to talk as though all Arabs or all Muslims were so very much alike that their mental processes or political behavior can be explained in terms of a single, simple stereotype. He is also right to point out what a demeaning practice this is, not only to the objects of Orientalist analysis but also to the Orientalists themselves who, by dehumanizing others in their texts, call their own humanity into question. Nevertheless, what is wrong with present studies of the Middle East is more than just their lack of logic or their association with power.[3] Again, if we cannot make any connection between such studies and the reality they are supposed to describe, there is no way of showing how they have changed as a result of changing Middle Eastern (and not just European or American) circumstances. Nor is it possible to suggest how they might be improved in the future.

A related problem concerns the relationship between Orientalist discourse and Middle Eastern students of their own societies. Here too the assumption that Orientalism is a purely European phenomenon having nothing to do with Middle Eastern reality prevents Edward Said from examining a number of important issues. One is the way in which the Orientalists' view of the region as an example of something called Islamic civilization in decline has always been reinforced from the inside by Muslims who look at their own history and their own culture in nearly identical terms. Such a view has its own powerful local logic and cannot easily be ascribed to the imposition of an alien ideology. Another issue is the great variety of exchanges between Middle Easterners and Orientalists. Some have used European texts creatively as a way of allowing them to release their own history from the hold of religion and to examine it in a secular and scientific way. Others, notably North African scholars like Abdullah Laroui, have engaged in a heated polemic against the major tenets of Orientalism, using it as a spur to the production of a totally different mode of historical explanation.

A last point concerns the type of critique which Edward Said has attempted. He is anxious, rightly, to destroy once and for all the power which sweeping general statements about the Middle East, supported by Orientalist scholarship, still have over people's minds. But in the opinion of this reviewer such an enterprise can only be carried out in terms of an idea not only of what is wrong with the present study of the Middle East but also of how it could

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be made better.[4] It is not a question of first destroying the old and then rebuilding the new. The old contains material and concepts which need to be examined, to be challenged, and in some cases to be reconstructed, in terms of a science of society which transcends national boundaries and in the use of which everyone, Middle Eastern or European and American, can share.

NOTES

1. I should confess my own interest: I encouraged Edward Said to write this book and am warmly thanked in the Acknowledgements.
2. Edward Said's list includes the following writers, apart from myself: Anouar Abdel-Malek; Yves Lacoste; the authors of the reviews published in the *Review of Middle East Studies*, 1 and 2; Noam Chomsky; and the work done by the MERIP (Middle East Research and Information Project) group. He also mentions G. Ardant, K. Axelos, J. Berque et al. *De l'impérialisme à la décolonisation* (Paris, 1965).
3. For critiques of Orientalism and Middle Eastern studies from a somewhat different perspective see: A. Abdel-Malek, "L'Orientalisme en crise," *Diogène* XLIV (1963), 109-142; A. H. Hourani, "History," in L. Binder (ed.) *The Study of the Middle East* (New York, 1976), 97-136; E. Burke, "Towards a History of the Maghreb," *Middle Eastern Studies*, 11, 3 (1975), 306-323; A. Laroui, *The Crisis of the Arab Intellectuals* (Berkeley, 1976); and my own "Studying Islamic History," *Journal of Interdisciplinary History*, IV (Autumn 1973).
4. For an elaboration of this idea, see T. Asad and R. Owen, "Introduction," *Review of Middle East Studies*, III (1978), i-iv.

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(*Continued from inside front cover*)
radical artist 'atoning' for his guilt." He would have said the same about literary critics. His own favorite author was Mark Twain about whom he wrote much, including an excellent, and of course highly controversial, biography. In addition to occasional reviews for MR, Max contributed valuable introductions to two MR Press books, Gwyn Thomas's *Leaves in the Wind* (a novel about the early industrial revolution in Wales, first published in England under the title *All Things Betray Thee*), and Corliss Lamont's *The Trial of Elizabeth Gurley Flynn by the American Civil Liberties Union*. Both books are now out of print.

An unfortunate typographical slip found its way into the communication item "More on Althusser's Marxism," by Hugh Grady, in the July-August issue (p. 92): co-author of the review of Althusser's book *Essays in Self-Criticism* which had appeared in the January MR is Jane (*not* James) C. Canning. Our apologies to Ms. Canning.

The complicated political situation in Guyana was greatly exacerbated by the July arrest on patently trumped-up charges of a number of leaders of the Working People's Alliance (WPA), a recently formed interracial political organization which is preparing to challenge the corrupt and reactionary Forbes Burnham government in forthcoming elections. Among those arrested and in great danger of long imprisonment or worse is Walter Rodney, well known to many MR readers as the author of *How Europe Underdeveloped Africa* and one of Guyana's most respected historians. Another leader of the WPA is Clive Thomas, author of MR Press book *Dependence and Transformation: The Economics of the Transition to Socialism*, who in the past has been threatened with kidnapping and assassination. Space reasons prevent our going into details, but those wishing further information should write to Guyana Alliance Legal Defence Fund, c/o Joseph Woolcock, School of Education, Stanford University, Stanford, CA 94305 (to which monetary contributions can also be sent).

The Modern Times Bookstore (3800 17th St., San Francisco, CA 94141) is one of the largest socialist book sellers in the United States and a very comradely and efficient distributor of MR Press books. It recently issued a 96-page catalog listing a large selection from the store's stock and making this important educational resource available to people all over the country (price: $1). Write to the above address if you would like a copy.

We acknowledge with gratitude a generous contribution to MR Associates in memory of the late Fritz Pappenheim, author of *Alienation of Modern Man*, published by MR Press. As we pointed out in this space some months ago, according to the latest count available the Japanese translation of Fritz Pappenheim's book had sold 373,000 copies and was still selling at a rate of 10,000 a year.

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